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United Nations

Fund of the United Nations Environment Programme

Financial report and audited financial statements

for the biennium ended 31 December 2009

and

Report of the Board of Auditors

General Assembly
Official Records
Sixty-fifth Session
Supplement No. 5F

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Report of the Board of Auditors

United Nations • New York, 2010

Note

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Letters of transmittal

31 March 2010

In accordance with financial regulation 6.5, I have the honour to transmit the financial report and accounts of the United Nations Environment Programme, including associated trust funds and other related accounts, for the biennium ended 31 December 2009, which I hereby approve. The financial statements have been completed and certified as correct by the Chief Finance Officer.

Copies of these statements are made available to both the Advisory Committee on Administrative and Budgetary Questions and the Board of Auditors.

(*Signed*) Achim **Steiner**
Executive Director
United Nations Environment Programme

Mr. Terence Nombembe
Chair
United Nations Board of Auditors
New York

30 June 2010

I have the honour to transmit to you the report of the Board of Auditors on the financial statements of the United Nations Environment Programme for the biennium ended 31 December 2009.

(*Signed*) Terence **Nombembe**
Auditor-General of South Africa and
Chair, United Nations Board of Auditors

The President of the General Assembly
of the United Nations
New York

Chapter I

Report of the Board of Auditors on the financial statements: audit opinion

We have audited the accompanying financial statements of the Fund of the United Nations Environment Programme (UNEP), which comprise the statement of assets, liabilities, reserves and fund balances (statement II) as at 31 December 2009; the statement of income and expenditure and changes in reserve and fund balances (statement I) and the cash flow statement (statement III) for the biennium then ended; and the supporting statements, schedules and explanatory notes.

Management's responsibility for the financial statements

The Executive Director of the United Nations Environment Programme is responsible for the preparation and fair presentation of these financial statements in accordance with the United Nations system accounting standards and for such internal control as management deems is necessary to permit the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. The Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or to error. In making these risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund of the United Nations Environment Programme as at 31 December 2009 and its financial performance and cash flows for the biennium then ended in accordance with the United Nations system accounting standards.

Without qualifying our opinion referred to above, we draw attention to note 13 to the financial statements, which showed an adjustment of $7.9 million to the value

of non-expandable property, based on a physical verification carried out by UNEP. However, details in support of this amount were not provided.

Report on other legal and regulatory requirements

Furthermore, in our opinion, the transactions of the Fund of the United Nations Environment Programme that have come to our notice, or which we have tested as part of our audit, have in all significant respects been in accordance with the Financial Regulations and Rules of the United Nations and legislative authority.

In accordance with article VII of the Financial Regulations and Rules of the United Nations and the related annex, we have also issued a long-form report on our audit of the Fund of the United Nations Environment Programme.

(*Signed*) Terence **Nombembe**
Auditor-General of South Africa
Chair of the United Nations Board of Auditors

(*Signed*) Didier **Migaud**
First President of the Court of Accounts of France
(Lead Auditor)

(*Signed*) **Liu** Jiayi
Auditor-General of China

30 June 2010

Chapter II
Long-form report of the Board of Auditors

Summary

The Board of Auditors (the Board) has audited the financial statements and reviewed the operations of the Fund of the United Nations Environment Programme (UNEP) for the biennium ended 31 December 2009. The audit was carried out through three field visits to Montreal and Geneva, as well as a review of the financial transactions and operations at UNEP headquarters in Nairobi.

Modified audit report

The Board issued a modified report with one emphasis of matter on the financial statements for the period under review, as reflected in chapter I of the present report.

The emphasis, which matter relates to note 13 to the financial statements, showed an adjustment of $7.9 million to the value of non-expendable property, based on a physical verification carried out by UNEP. However, details in support of this amount were not provided.

Follow-up of previous recommendations

Of the 11 recommendations made for the biennium 2006-2007, seven (64 per cent) were fully implemented, while four (36 per cent) were under implementation.

The Board evaluated the ageing of its previous recommendations that had not yet been fully implemented. It noted that three recommendations made in 2006-2007 and one made in 2004-2005 had not been implemented.

Financial overview

For the period under review, total income was $733 million, compared with $578.6 million for the previous biennium, an increase of 26.7 per cent. Total expenditure amounted to $682.7 million, compared with $541.8 million for the previous biennium, an increase of 26 per cent. This resulted in an excess of income over expenditure of $50.3 million.

Progress towards implementation of the International Public Sector Accounting Standards

The efforts made by UNEP to implement the International Public Sector Accounting Standards (IPSAS) and adopt a new enterprise resource planning system did not explicitly take into account the migration of the specific functionalities of the Crystal system (the computer system used in Nairobi).

Presentation of the financial statements

The UNEP financial statements do not incorporate the transactions pertaining to allocations from the United Nations regular budget. These are an integral part of the activities of UNEP and should be incorporated into the financial statements of the Programme.

Statement of income and expenditure

The rate of submission of travel claims within the specified deadline could still be improved, since 33 per cent of travel claims were sent more than two calendar weeks after completion of travel.

The control of the access rights of approving and certifying officers to the Integrated Management Information System (IMIS) software could be reinforced.

Education grants were recorded as advances to staff members, whereas they should have been considered as payments to staff members and recorded as obligations for the period.

Statement of assets, liabilities and reserve and fund balances

The information available in the financial statements on the ageing of voluntary contributions receivable did not indicate the difference between contributions outstanding for more than 24 months and those outstanding for more than five years.

As at 31 December 2009, the amount of the unpaid pledges to the Multilateral Fund for the Implementation of the Montreal Protocol on Substances that Deplete the Ozone Layer was $183.9 million. This amount represented more than 72 per cent of pledges for 2008-2009 ($254.5 million). More than $117 million of unpaid pledges were more than five years old. The Board recommended that UNEP consider formulating an accounting policy for the treatment of long outstanding pledges.

End-of-service liabilities, including after-service health insurance

The financial statements for the period under review reflect end-of-service and post-retirement liabilities amounting to $58.1 million. Of that amount, $39.0 million represent after-service health insurance, $7.9 million relate to unused vacation leave credits, and $11.2 million represent repatriation benefits. However, a decision has still not been made regarding the funding of the organization's future obligations towards its employees. In addition, the valuation of the liability regarding unused vacation was not compliant with the method prescribed by IPSAS.

Results-based management/budgeting

While it was observed that efforts had been made to quantify indicators of achievement, evidence of the results disclosed in the programme performance report was not provided.

Programme and project management

Different accounting methods for payments made to implementing partners were noted. The Board considers that these methods should be harmonized.

Procurement and contract management

Purchase orders were placed by officers in excess of their delegation of procurement authority. The total amount of those orders was $2.9 million. In addition, the majority of vendors on the vendor database were not formally registered, and some of them had not been contracted with for four years. This reflected inadequacies in the updating of the database.

Information technology

There were many manual journal voucher entries in the general ledger, which could weaken internal controls.

The recommendation from the preceding biennium that manual operations should be reduced to a minimum in the preparation of the financial statements had been applied. A few improvements still had to be made to the configuration of the tool and the description of the checks to be made.

Disclosures by management

Management made certain disclosures in section C of the present report with regard to: write-off of losses of cash, receivables and property; ex gratia payments; and cases of fraud and presumptive fraud.

Recommendations

The Board has made several recommendations on the basis of its audit. The main recommendations are that UNEP:

(a) **Continue to prepare for the implementation of IPSAS in collaboration with the United Nations Office at Nairobi; and specify its needs for the migration of the Crystal software to the future enterprise resource planning system of the Secretariat (para. 38);**

(b) **Consider preparing financial statements that include the activities funded from the regular budget of the United Nations (para. 47 (b));**

(c) **In liaison with the United Nations Office at Nairobi, extend the use of the travel database to include all types of travel and for all persons submitting travel claims and continue to improve the rate of submission of travel claims within the deadlines (para. 73);**

(d) **In liaison with the United Nations Office at Nairobi, ensure that: the review of access rights includes the detection of users who have left the organization or changed functions, and that no employee has more than one identifier for logging into the IMIS data management system (para. 79);**

(e) **In collaboration with the United Nations Headquarters Administration, revise its accounting treatment of education grants (para. 88);**

(f) **Include more details on the ageing of contributions receivable disclosed in its financial statements (para. 95);**

(g) **Set up specific funding to balance in its liabilities for end-of-service and post-retirement benefits, for consideration and approval by its Governing Council and the General Assembly (para. 112);**

(h) **Ensure that all indicators of achievement are supported by documentary evidence (para. 134);**

(i) **In collaboration with the United Nations Office at Nairobi, establish a uniform system of accounting treatment for projects implemented by external partners, or justify the need for different accounting methods (para. 141);**

(j) In liaison with the United Nations Office at Nairobi, periodically review the procurement parameters in IMIS to ensure that they reflect the thresholds set in the delegations of authority for procurement and contract management (para. 147);

(k) In coordination with the United Nations Office at Nairobi, take advantage of the upcoming implementation of the new enterprise resource planning system to eliminate journal voucher entries; and strengthen internal control over journal voucher entries and the access rights to make them (para. 177).

The Board's other recommendations appear in paragraphs 14, 29, 47 (a), 52, 59, 65, 67, 102, 107, 129, 153, 156, 163, 173, 179 and 188.

A. Mandate, scope and methodology

1. The Board of Auditors has audited the financial statements of the Fund of the United Nations Environment Programme (UNEP) and has reviewed its operations for the biennium from 1 January 2008 to 31 December 2009 in accordance with General Assembly resolution 74 (I) of 7 December 1946. The audit was conducted in conformity with article VII of the Financial Regulations and Rules of the United Nations and the annex thereto, as well as the International Standards on Auditing. The Standards require that the Board comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

2. The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements presented fairly the financial position of the Fund of UNEP as at 31 December 2009 and the results of its operations and cash flows for the financial biennium then ended, in accordance with the United Nations system accounting standards. This included an assessment as to whether the expenditures recorded in the financial statements had been incurred for the purposes approved by the governing bodies and whether income and expenditures had been properly classified and recorded in accordance with the Financial Regulations and Rules of the United Nations. The audit included a general review of financial systems and internal controls and a test examination of the accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

3. In addition to the audit of the accounts and financial transactions, the Board carried out reviews of the Fund of UNEP operations under financial regulation 7.5. It requires the Board to make observations with respect to the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general, the administration and management of the Fund of UNEP operations. Furthermore, the General Assembly had requested the Board to follow up on previous recommendations and report on them accordingly. Those matters are addressed in the relevant sections of the present report.

4. The Board continues to report the results of audits to the Fund of UNEP in the form of management letters containing detailed observations and recommendations. That practice allows for ongoing dialogue with the administration. In that regard, four management letters were issued covering the period under review.

5. The Board coordinates with the Office of Internal Oversight Services (OIOS) in the planning of its audits in order to avoid duplication of efforts and to determine the extent to which it can rely on the work of OIOS.

6. Where observations in the present report refer to specific locations, such observations apply only to the locations specified. These observations also do not in any way imply that they are applicable to other locations.

7. The present report covers matters that, in the opinion of the Board, should be brought to the attention of the General Assembly and the UNEP Governing Council, including specific requests from the General Assembly and the Advisory Committee on Administrative and Budgetary Questions. In particular, the Advisory Committee in its report on the financial reports and audited financial statements and reports of

the Board of Auditors for the period ended 31 December 2007 (A/63/474) requested that the Board:

(a) Strengthen its validation process with a view to improving its ability to evaluate the results and impact of the efforts of the United Nations organizations to implement the Board's recommendations;

(b) Continue to monitor closely the application of IPSAS as well as the preparatory process for the enterprise resource planning system;

(c) Follow up on the incomplete risk-based methodological framework of the Internal Audit Division of OIOS as well as the low rate of completion of planned assignments;

(d) Continue to follow up on the monitoring of the audit processes and on the regular reviews of nationally executed projects made by United Nations entities;

(e) Provide guidance to implement internal control procedures for non-expendable property.

8. The observations and conclusions of the Board were discussed with the administration, whose views have been appropriately reflected in the present report.

9. The recommendations contained in the present report do not address steps which the Fund of UNEP may wish to consider in respect of officials for instances of non-compliance with its financial regulations and rules, administrative instructions and other related directives.

B. Findings and recommendations

1. Follow-up of previous recommendations

10. Of the 11 recommendations made for the biennium 2006-2007, as set out in the previous report (A/63/5/Add.6), 7 (64 per cent) were fully implemented, and 4 (36 per cent) were under implementation. Details regarding the status of implementation of these recommendations are presented in the annex to the present chapter.

11. In paragraph 53 of its previous report (A/63/5/Add.6), the Board had asked UNEP, and UNEP agreed, to disclose all advances paid to implementing partners on the specific line in its financial statements and to provide additional information in the notes. The Board observed that while a specific line existed in the financial statements for the biennium 2006-2007 setting forth advances to implementing partners from the Environment Fund, this line no longer existed in the financial statements for the biennium 2008-2009. The advances are now all shown in the line "other receivables". UNEP explained that "the line showing the advances paid to implementing partners in the 2006-2007 financial statements was specific to the Environment Fund and was done manually. To be consistent, this needed to be done for all categories of funds, which would be impractical, given that it was a manual process and the system did not identify implementing partners". UNEP therefore decided not to separate these receivables from the others. Although the accounting and financial computer system does not enable UNEP to automatically identify payments to implementing partners, note 8 to the financial statements makes it possible to set out information on advances at least by type of partner

(staff/vendor/specialized agency/other United Nations agency/other/government). Hence, the Board considers that this recommendation is implemented.

Recommendations under implementation

12. For the four recommendations that were under implementation, the Board noted that implementation depended on the introduction of medium-term projects involving in-depth reforms (funding of after-service and post-retirement liabilities), or was dependent on ongoing upgrading of computerized databases (to reduce manual processing in order to establish financial statements). Other recommendations required continuing the efforts made (to apply strictly the provisions of instructions regarding travel claims). These matters are further commented on in the relevant sections of the present report.

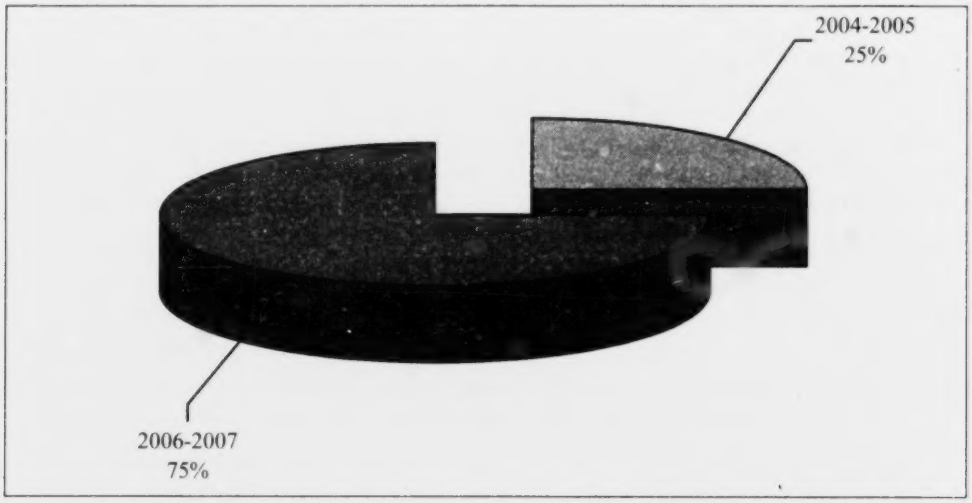
13. A recommendation under implementation required greater cooperation with the United Nations Office at Nairobi. In paragraph 62 of its previous report (A/63/5/Add.6), the Board had asked UNEP, and UNEP had agreed, to review its service agreement with the United Nations Office at Nairobi. UNEP considered that the recommendation had been implemented. The Board, however, noted that the terms of reference had not yet been signed. The United Nations Office at Nairobi explained that the independent review to assess the services, as specified in the terms of reference, had been commissioned by the United Nations in June 2009 and that the results were still expected. In the absence of further information on the results of this examination, the Board considered that the recommendation was only under implementation.

14. **The Board reiterates its previous recommendation that UNEP review its service agreement with the United Nations Office at Nairobi.**

Ageing of previous recommendations

15. In response to a request made by the Advisory Committee on Administrative and Budgetary Questions (see A/59/736, para. 8), the Board assessed the ageing of its previous recommendations that had not yet been fully implemented.

Figure II.I
Ageing of recommendations under implementation/not implemented for the previous biennium



2. General presentation

16. By its resolution 2997 (XXVII) of 15 December 1972, the General Assembly established UNEP, with the Governing Council as its deliberative body and a secretariat responsible for centralizing environmental operations and for achieving cooperation in that field among the various United Nations bodies. The activities of UNEP generally tend towards the formation of partnerships to protect the environment by inspiring and informing countries and giving them the means to improve the living standards of their populations without compromising those of future generations. UNEP also hosts the secretariat of a number of multilateral environmental agreements.

17. As at 31 December 2009 UNEP, including the Global Environment Facility, had 1,158 posts. Total UNEP expenditure for the biennium 2008-2009 amounted to $682.7 million. Staff of the UNEP Division of Global Environment Facility Coordination, which manages the four trust funds of the Facility allocated to account for finances received from the Facility, and project staff employed by other UNEP divisions to manage Global Environment Facility-funded projects and who are charged to project budgets of the Facility, occupied 116 budgetary posts.

18. Even though they have separate mandates, the United Nations Office at Nairobi and UNEP are interdependent. The United Nations Office at Nairobi provides administrative and financial services for UNEP. For this reason, most of the recommendations made to UNEP should be implemented in collaboration with the United Nations Office at Nairobi.

19. The Environment Fund, which is the principal source of financing for the implementation of the programme of UNEP, was established by the General Assembly in 1972 to provide funding for environmental programmes. Altogether, 178 countries made at least one voluntary contribution to the Environment Fund

during the period 1973-2008. Twelve countries have maintained their regular annual contributions throughout the whole period, thus ensuring continuous support and implementation of UNEP programmes. As at 31 December 2009, the voluntary contributions recorded as income for the Environment Fund amounted to $174.6 million out of a total of $714.4 million in voluntary contributions.

20. UNEP is involved in the Global Environment Facility, a programme for funding the activities undertaken in developing countries to protect the environment through donations or soft loans. Created in 1991 jointly by UNEP, the United Nations Development Programme (UNDP) and the World Bank, this programme relies on funds provided by the World Bank and on voluntary contributions from 176 Member States. The Facility is the designated financial mechanism for the United Nations Framework Convention on Climate Change, the Convention on Biological Diversity, the Stockholm Convention on Persistent Organic Pollutants and the United Nations Convention to Combat Desertification in Those Countries Experiencing Serious Drought and/or Desertification, Particularly in Africa. The programmes supported by the Global Environment Facility are implemented by the three partners, UNEP, UNDP and the World Bank, each in its own area of competence. The adoption and evaluation of the programmes of the Facility are the responsibility of its Council. UNEP manages the Global Environment Facility funds allocated to it as an implementing partner through four trust funds.[1] These four trust funds are included in UNEP financial statements, within the trust funds for technical cooperation. The Board provides an annual specific audit opinion on the Global Environment Facility financial statements. For the financial year ended 31 December 2008, the Board issued an unmodified opinion on the financial statements of the Global Environment Facility trust funds managed by UNEP.

3. Financial overview[2]

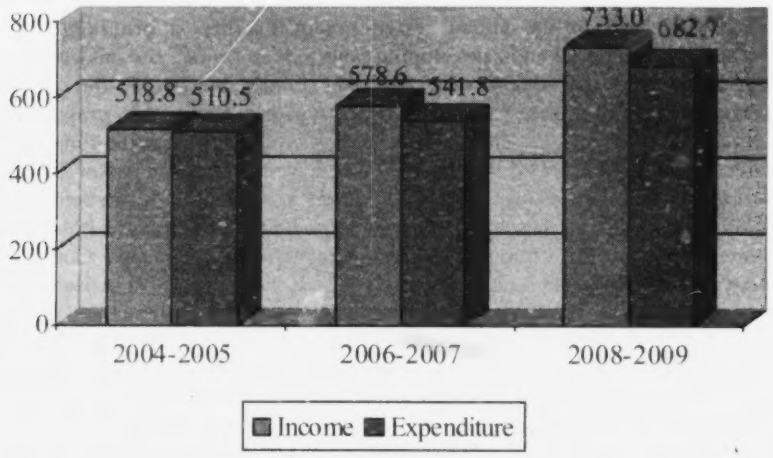
21. Total income for the period under review amounted to $733 million and total expenditure to $682.7 million, resulting in excess of income over expenditure of $50.3 million. Comparative income and expenditure for the bienniums 2004-2005, 2006-2007 and 2008-2009 are shown in Figure II.II.

[1] (a) Technical Cooperation Trust Fund for implementation of the activities of UNEP funded by the Global Environment Fund; (b) Technical Cooperation Trust Fund for the management of the UNEP/Global Environment Facility National Adaptation Programme of Action for Least Developed Countries; (c) Technical Cooperation Trust Fund for the implementation of the Global Environmental Facility Fee-Based System for Funding Projects; and (d) Technical Cooperation Trust Fund for the Management of the UNEP/Global Environment Facility Special Climate Change Fund Programme.

[2] Unless otherwise indicated, the financial analyses in the present report do not include the Multilateral Fund.

Figure II.II
Comparative income and expenditure for the bienniums 2004-2005, 2006-2007 and 2008-2009

(Millions of United States dollars)



Source: UNEP financial statements.

22. The increase in income (from $578.6 million to $733 million, or 26.7 per cent) was attributable mainly to voluntary contributions (30.9 per cent, or an additional $168.6 million).

Key financial ratios

23. The indicators in table II.1 show a healthy financial situation. In particular, they reveal a high level of liquidity.

Table II.1
Ratios of key financial indicators

	2005	*2007*	*2009*	*Dividend and ratio divider for 2009*[a]
Voluntary contributions receivable/total assets[b]	0.05	0.04	0.04	20 986/502 642
Cash/total assets[c]	0.63	0.65	0.74	375 346/502 642
Cash/total liabilities[d]	1.69	1.41	1.75	375 346/214 458
Unliquidated obligations/total liabilities[e]	0.32	0.22	0.42	90 181/214 458

[a] Thousands of United States dollars.
[b] A low indicator reflects a healthy financial position.
[c] A high indicator reflects a healthy financial position.
[d] A low indicator means that insufficient cash is available to settle debts.
[e] A low indicator means that the entity is liquidating its obligations.

24. The high level of cash could be partially explained by the financial rules which govern expenditure from the general trust funds (see ST/AI/1982/284, annex,

sect. III.A, para. 1, and ST/AI/1982/285, annex, sect. IV.B). In application of those rules, expenditure can be made from a trust fund only if the fund from which payment is to be made has been paid beforehand. Consequently, UNEP had substantial cash flows, the result of the interval between the collection of the contributions and their use (see table II.2).

25. The Board noted, however, that although during the preceding biennium the amount of cash had increased at a higher proportion than that of voluntary contributions, which reflected a slowdown in disbursements, this trend did not recur in 2008-2009. Table II.2 shows that the cash increased at the same rate as voluntary contributions, reflecting an improved pace of disbursements.

Table II.2
Comparison of contributions, expenditure and cash, 2004-2005 to 2008-2009
(Millions of United States dollars)

		2006-2007		*2008-2009*	
Line items	*2004-2005*	*Amount*	*Change (percentage)*	*Amount*	*Change (percentage)*
Voluntary contributions	505.5	545.8	+8	714.5	+30.9
Expenditure	510.5	541.8	+6.1	682.7	+26
Cash	244.7	290.5	+18.7	375.3	+29.2

26. Given the high level of cash available at the end of the period, in paragraph 35 of its previous report (A/63/5/Add.6), the Board recommended that UNEP regularly monitor the level of its liquidity and the progress of its projects.

27. The Board noted that as an interim measure until the implementation of the future enterprise resource planning system, UNEP was monitoring its overall liquidity on a monthly basis in line with multi-year trends. In the view of the Board, this monitoring, which is registered on spreadsheets and is not automated, is not performed frequently enough. This was due in part to the limitations of the current systems used by UNEP.

28. The implementation of a new enterprise resource planning system, as decided by the United Nations, will be an opportunity to set up indicators in order to implement a dashboard for the permanent monitoring of the cash situation in view of the inflow of contributions and their outflow as a project advances.

29. **UNEP agreed with the Board's recommendation that it take advantage of the installation of the new enterprise resource planning system to set up indicators for the regular monitoring of the cash situation.**

30. The financial statement (statement IX) of the Multilateral Fund for the Implementation of the Montreal Protocol on Substances that Deplete the Ozone Layer is separate from the other UNEP financial statements and is submitted to the Executive Committee of the Multilateral Fund. This matter is addressed further in the relevant section of the present report.

31. As shown in table II.3, the Multilateral Fund recorded a net current deficit of $1.9 million for the biennium 2008-2009, while for 2006-2007 the deficit amounted

to $37.7 million. Nevertheless, the financial statements of the Fund showed a positive total reserves and fund balance of $478.7 million as at 31 December 2009.

Table II.3
Multilateral Fund
(Millions of United States dollars)

	2006-2007	*2008-2009*
Income	311.8	282.9
Expenditure	349.5	284.8
Surplus or deficit	(37.7)	(1.9)
Assets	488.5	481.9
Liabilities	8.0	3.2
Total reserves and fund balances	**480.5**	**478.7**

4. Progress towards the implementation of the International Public Sector Accounting Standards

32. In accordance with General Assembly resolution 61/233 A, and in response to the comments of the Advisory Committee on Administrative and Budgetary Questions in its report (see A/61/350), the Board again performed a gap analysis relating to the implementation of the International Public Sector Accounting Standards (IPSAS) as well as new or upgraded enterprise resource planning systems. The Advisory Committee had commented on the desirability of such systems taking fully into account the detailed requirements of IPSAS.

33. Since UNEP was relying on the task force set-up to prepare for the adoption of IPSAS, it had not yet, at the end of the biennium 2008-2009, finalized a plan or adopted a budget to address its specific needs with respect to IPSAS and the related issue of the enterprise resource planning system.

34. Despite the lack of a specific plan, UNEP was involved in the preparatory measures for the implementation of IPSAS, as the Board had recommended in its previous report. Training in IPSAS was already being provided in the form of electronic modules, which were to be followed by courses organized in various venues, including Nairobi.

35. The Board noted, however, that the information system used by United Nations services in Nairobi (Crystal) had specific functionalities that were not included in the Integrated Management Information System (IMIS) used by the United Nations Secretariat. Considering that IMIS is to be replaced by the new enterprise resource planning system of the Secretariat (Umoja), the Board was concerned that UNEP had not dealt with the maintenance of Crystal's specific functionalities in the new information technology structure and that this could have a negative impact on the implementation of IPSAS at UNEP and the adequacy of Umoja to the latter's needs.

36. UNEP replied that, together with the United Nations Office at Nairobi, it was actively involved in the preparation for Umoja. UNEP believed that since it was based on a fully proven and widely used information technology solution, Umoja could be expected to contain multiple reporting functionalities that would cover its

needs. Consequently, there was no risk that functionalities available in Crystal would not be available in Umoja. Any United Nations-specific statutory reporting requirements were expected to be taken into account at the end of the design phase and would be scoped in for configuration and testing.

37. The Board is of the view that the recognized or expected performance of the Umoja software core alone is not an indication of its ability to meet specific needs, and that failure to properly examine the need for a migration for Crystal is hazardous.

38. **UNEP agreed with the Board's recommendation to: (a) continue to prepare the implementation of IPSAS in collaboration with the United Nations Office at Nairobi; and (b) specify its needs for the migration of the Crystal software to the future enterprise resource planning system of the Secretariat (Umoja).**

5. Presentation of financial statements

Allocations from the United Nations regular budget

39. As indicated in note 14 to the financial statements, the resources stemming from the United Nations regular budget to cover UNEP expenditure amounted to $16.9 million, or 2.3 per cent of UNEP income for the biennium 2008-2009 (note 14 to the 2008-2009 financial statements).

40. In its previous report on the 2006-2007 financial statements, the Board noted that even though UNEP managed the resources allocated by the United Nations from the regular budget, those resources and the related expenditure had not been disclosed in the financial statements (see A/63/5/Add.6, paras. 45-50). The Board had therefore recommended that UNEP disclose the allocations from the regular budget and the related expenditure in its financial statements for the biennium 2008-2009.

41. Following this recommendation, UNEP disclosed the resources from the regular budget and the related expenditure in note 14 to its financial statements for the biennium 2008-2009. Strictly speaking, the recommendation has therefore been implemented.

42. Nevertheless, the Board noted that budgets examined by the Governing Council of UNEP showed a total amount of resources that included those from the United Nations regular budget, while the UNEP financial statements reported a total amount of resources that did not include those from the regular budget. There was a discrepancy between the disclosure of the resources to the Governing Council and the report on their use established by the financial statements.

43. In accordance with paragraph 5 (iii) of the United Nations system accounting standards, "financial statements should disclose all items which are material enough to affect evaluations or decisions and all material information which is necessary to make the statements clear and understandable". Paragraph 7 of the United Nations system accounting standards also states: "The objective of financial statements is to provide information about the financial position and performance of the organization." In addition, paragraph 32 of the United Nations system accounting standards specifies that "Income for a financial period is defined in the United Nations system as money or money equivalent received or accrued during the

financial period which increases existing net assets. The following are the main types of income received by the organizations: (i) Contributions assessed under regular budgets or special accounts; (ii) Voluntary contributions formally pledged in cash or in kind; (iii) Voluntary contributions received under arrangements other than (ii) above; (iv) Other/miscellaneous income".

44. UNEP explained the decision not to include the regular budget in its financial statements by the fact that it had not received any delegation of authority from the Secretary-General to submit the accounts for appropriations voted by the General Assembly. The regular budget of UNEP was still reported by the Secretary-General and was consolidated in the financial statements of the United Nations.

45. The Board is of the view, however, that unless explicitly restricted to a limited scope, financial statements ought to give an exhaustive view of the financial situation of the reporting entity, as also prescribed by the provisions of the United Nations system accounting standards quoted in paragraph 44 above. UNEP does not need a specific mandate to include part of its activity in its financial statements. It is the responsibility of UNEP to prepare financial statements that reflect the entirety of its operations. Unless it is made clear that these financial statements reflect only part of its activities, they are considered incomplete.

46. The optimal solution would be for UNEP to present financial statements that include both its regularly funded and voluntarily funded activities. Another solution would be to revise the title of the current financial statements and the notes thereto to explicitly reflect that they cover only the voluntarily funded activities.

47. **The Board recommends that UNEP: (a) revise the title of its financial statements and the notes thereto to reflect that their scope is limited to voluntarily funded activities; and (b) consider preparing financial statements that include the activities funded from the regular budget of the United Nations.**

48. In its response, UNEP indicated that it did not agree with the first part of the recommendation, as the notes are an integral part of the financial statements, which include the regular budget under note 14. UNEP added that it would consider incorporating the part of its activities funded from the regular budget, subject to consultation with United Nations Headquarters.

Financial statement of the Multilateral Fund

49. The UNEP financial statements I to IX include the following: the Environment Fund; the general trust funds; the trust funds for technical cooperation, including the income and expenditure of the Global Environment Facility; the Multilateral Fund for the Implementation of the Montreal Protocol on Substances that Deplete the Ozone Layer; and other trust funds.

50. UNEP financial statement IX covers the Trust Fund for the Multilateral Fund for the Implementation of the Montreal Protocol on Substances that Deplete the Ozone Layer. As at 6 May 1989, the Parties to the Montreal Protocol decided "to establish a United Nations Trust Fund in accordance with the Financial Regulations and Rules of the United Nations and in accordance with the General Procedures governing operations of the Fund of the United Nations Environment Programme" (point 14.A.a). As previously indicated, this statement, which comprises a statement of assets, liabilities and reserves and fund balances as at 31 December 2009, a

statement of income, expenditure and changes in reserves and fund balances, and a cash flow statement for the biennium then ended, is not consolidated with other UNEP funds. The financial statement of the Multilateral Fund, of which UNEP is treasurer, is separate from the other UNEP financial statements and is submitted to the Executive Committee of the Multilateral Fund.

51. The Board considers that the fact that the financial statements of the Multilateral Fund are not consolidated with the other funds, although they appear in the financial statements of UNEP, is misleading. Either the Multilateral Fund is legally considered an integral part of UNEP (that is, an entity over which UNEP exercises control) and the financial statements of the Multilateral Fund should therefore be consolidated in the financial statements of UNEP, or the Multilateral Fund is outside the purview of UNEP, and its financial statements should then be presented separately.

52. **The Board recommends that UNEP clarify the legal situation of the Multilateral Fund and decide accordingly on the consolidation of its financial statements into the financial statements of UNEP.**

53. UNEP indicated that the issue of consolidation would be decided and started with the implementation of IPSAS. Until then, UNEP would continue with the current financial reporting.

Multilateral environmental agreement funds

54. The financial statements of UNEP include the transactions of several trust funds related to multilateral environmental agreements. These trust funds are managed by UNEP support activities in the framework of conventions, protocols and regional seas programmes. UNEP provides the secretariat for those funds, while the Parties to the convention decide on the use of the funds.

55. The multilateral environmental agreement funds are consolidated in the UNEP statement of income, expenditure and changes in reserves and fund balances (statement I), statement of assets, liabilities and reserves and fund balances (statement II), and the cash flow statement (statement III). UNEP also details in statement IV, statement VI, statement VII and schedule 7.1 the income, expenditure and changes in fund balances of all types of funds (Environment Fund, general trust funds, cooperation trust funds for technical, earmarked contributions, etc.), including the multilateral environmental agreement funds and those related to the work programme of UNEP.

56. As at 31 December 2009, the total income of multilateral environmental agreements amounted to $194.7 million, or 27 per cent of total UNEP income (excluding the Multilateral Fund). The total cash in the multilateral environmental agreement trust funds stood at $104.9 million, or 28 per cent of UNEP total cash (excluding the Multilateral Fund). The total reserves and fund balances represented $90.9 million, or 32 per cent of UNEP reserves and fund balances (excluding the Multilateral Fund). Table II.4 set out the consolidated multilateral environmental agreement trust funds as at 31 December 2009.

Table II.4
Multilateral environmental agreement trust funds as of 31 December 2009
(Thousands of United States dollars)

Items	*Multilateral environmental agreement trust funds*					*Share of multilateral environmental agreements in the total (percentage)*
	General trust funds	*Technical cooperation trust funds*	*Earmarked contributions*	***Total***	***Total UNEP***	
Total income	133 913	37 664	23 103	**194 680**	**733 025**	27
Total expenditure	133 939	38 303	15 720	**187 962**	**682 723**	28
Cash and term deposits	3 340	—	—	**3 340**	**6 786**	49
Cash pool	62 582	30 809	8 174	**101 565**	**368 560**	28
Total assets	91 387	32 731	17 628	**141 746**	**502 642**	28
Total liabilities	35 674	11 048	4 107	**50 829**	**214 458**	24
Total reserves and fund balances	55 713	21 683	13 521	**90 917**	**288 184**	32
Total liabilities, reserves and fund balances	91 387	32 731	17 628	**141 746**	**502 642**	28

Source: UNEP financial statements.

57. The consolidation of multilateral environmental agreement funds in the financial statements of UNEP raises the question of the level of UNEP control over the management of those funds, inasmuch as those funds are subject to decisions of the conferences of the Parties, not of the Governing Council of UNEP. In particular, UNEP did not have authority to use the total reserves and balances of the multilateral environmental agreement funds.

58. The Board considers the above as indicating that the extent of control by UNEP over the multilateral environmental agreement funds may not be sufficient to justify the inclusion of said funds in the financial statements of UNEP.

59. **The Board recommends that UNEP re-examine the extent of its control over the multilateral environmental agreement funds with a view to assessing the appropriateness of their inclusion in its financial statements.**

60. The Trust Fund for the Establishment of the Interim Secretariat of the Biological Diversity Convention (BVL Trust Fund) was opened to facilitate the setting up of the interim secretariat, which is one of the multilateral environmental agreements administered by UNEP. The governing body of UNEP approved the closure of the BVL Trust Fund in February 1997, by which time the secretariat was properly established.

61. Paragraph 44 of the Secretary-General's bulletin on the establishment and management of trust funds (ST/SGB/188) states that a trust fund may be closed only by the authority which established it or as required in its terms of reference. Although the decision to close the Fund was taken in February 1997 and the Fund

has not been active since that date, the BVL Trust Fund still appeared in the financial statements of the interim secretariat of the Biological Diversity Convention, and hence those of UNEP (schedule 7.1, support/conventions/ protocol/Regional Seas programmes).

62. Paragraph 46 of the same Secretary-General's bulletin further states that any balance remaining at the time a Trust Fund is closed will be disposed of in a manner consistent with the purposes of the Fund.

63. UNEP and the interim secretariat sent the donor several letters asking for authorization to transfer the surplus balance in the BVL Trust Fund to the General Trust Fund for Additional Voluntary Contributions in Support of Approved Activities under the Convention on Biological Diversity (BEL Trust Fund), set up under decision VII/33. The donors gave their consent to this request.

64. In a letter dated 25 March 2009, the interim secretariat asked UNEP to close the account and transfer the surplus to the BEL Trust Fund. The Board noted that although the surplus balance had in fact been transferred to the BEL Trust Fund from the BVL Trust Fund, the latter had not been closed.

65. **UNEP agreed with the Board's recommendation to close the Trust Fund for the Establishment of the Interim Secretariat of the Biological Diversity Convention.**

66. Schedule 7.1 shows that no expenditure for many other trust funds was not disclosed during the biennium 2008-2009. UNEP explained that it had not received authorization from the parties concerned to close them.

67. **UNEP agreed with the Board's recommendation to prompt the Parties to the multilateral environmental agreements to authorize the closing of inactive trust funds.**

6. Statement of income and expenditure

Travel claims

68. Paragraph 11.1 of the administrative instruction on official travel (ST/AI/2006/4) states that "staff members shall, within two calendar weeks after completion of travel other than under the lump-sum option, submit a completed travel reimbursement claim on form F.10 to their executive or administrative office, in accordance with the instructions set out in that form, including those governing the documentation to be submitted".

69. In paragraph 19 of its previous report (A/63/5/Add.6), the Board recommended that UNEP strictly apply the provisions of the administrative instruction relating to travel costs or obtain new measures from the United Nations secretariat if it was confirmed that the provisions in force were inappropriate.

70. This recommendation was first made during the biennium 2004-2005. Initially, the administration had not implemented this recommendation, pointing out the practical difficulty of reducing the time limit to less than 60 days.

71. Staff members' travel claims are centralized in a database. The review of this database by the Board revealed that, for the biennium 2008-2009, 33 per cent of travel claims and vouchers (1,169 out of 3,588) had been submitted more than two calendar weeks after completion of travel. While the submission time lag had been

significantly reduced, it still exceeded the limit set forth in administrative instruction on official travel.

72. The Board also noted that this database did not contain travel claims from persons other than staff members, although those persons are subject to the same rules that are applicable to travel by staff.

73. **UNEP agreed with the Board's recommendation that it: (a) in liaison with the United Nations Office at Nairobi, extend the use of the travel database to include all types of travel and for all persons submitting travel claims; and (b) continue to improve the rate of submission of travel claims within the deadlines.**

Internal oversight and access rights

74. Access rights to IMIS are managed by the Information and Communication Technology Section of the United Nations Office at Nairobi on behalf of UNEP.

75. Rule 105.6 of the Financial Regulations and Rules of the United Nations states that "an approving officer cannot exercise the certifying function assigned in accordance with rule 105.5 or the bank signatory functions assigned in accordance with rule 104.5". To ensure that these functions cannot technically be performed by the same person, the Budget and Financial Management Service of the United Nations Office at Nairobi performs a biannual review of IMIS access rights. Despite this review, the Board found that one staff member held both approving and certifying functions.

76. Furthermore, the review of IMIS access rights was limited to verifying that the two incompatible functions mentioned above were not performed by the same person. The rights of users who have left the organization or changed functions were not included in this review. As at the audit date, 13 staff members still had access to IMIS, although they had left the organization more than six months before.

77. Moreover, in accordance with financial rule 105.6, finance officers in the Budget and Financial Management Service have been designated as approving officers for UNEP and the United Nations Office at Nairobi by the Director of the Division of Administration, based on the delegation of authority from the United Nations Controller. As at the audit date, four staff members of UNEP had access rights corresponding to approving functions in IMIS. However, these staff were not included in the list of approving officers.

78. Lastly, certain people had multiple identifiers to connect to the IMIS application. This impeded proper traceability of transactions and limits the users' accountability.

79. **UNEP agreed with the Board's recommendation that it, in liaison with the United Nations Office at Nairobi, ensure that: the review of access rights includes the detection of users who have left the organization or changed functions; and that no employee has more than one identifier for logging into the IMIS data management system.**

80. Although it agreed with the recommendation above, UNEP indicated that it reserved the right, in exceptional circumstances, to issue more than one user identification to some "super users" who, by the nature of their functions, might require them.

Education grant

81. In accordance with staff regulation 3.2 (ST/SGB/2009/6), United Nations staff are entitled to education grant. The amount of this entitlement per scholastic year for each child is 75 per cent of the admissible educational expenses actually incurred, subject to a maximum grant as approved by the General Assembly.

82. As per note 2 (m) (vi) to the financial statements of UNEP, "For the purposes of the balance sheet statements, only those portions of education grant advances that are assumed to pertain to the scholastic years completed as at the date of the financial statement are shown as deferred charges. The full amounts of the advances are maintained as accounts receivable from staff members until the required proofs of entitlement are produced, at which time the budgetary accounts are charged and the advances settled".

83. The treatment of the expenditures is problematic. As explained in the above-mentioned note 2 (m) (vi) to the financial statements, the amounts of educations grant paid out to staff members, generally during the summer preceding a given scholastic year, are first recorded as advances (accounts receivable). It is only when staff members produce the proof of the entitlement that the advances are settled and the expenditure recognized; this occurs in the summer following the said scholastic year. Consequently, considering the timing of the process, the amount of education grant expenditure recorded in the accounts of the biennium 2008-2009 does not correspond to the amounts actually paid during the biennium. Rather, it corresponds to the amounts paid in 2007 and 2008, respectively, for the 2006-2007 and 2007-2008 scholastic years. The education grant paid to staff in 2009 ($2.46 million) will be recorded as expenditure in the biennium 2010-2011.

84. In accordance with paragraph 38 of the United Nations system accounting standards (UNSAS, revision VIII), "expenditure for a financial period is the sum of the disbursements and valid unliquidated obligations made against the appropriation/allocation of the period". In addition, neither the United Nations system accounting standards nor the Financial Regulations and Rules of the United Nations contain any other specific provisions allowing for disbursements made against an appropriation not to be considered as expenditure. There is little mention of the notion of advance, let alone a definition of the term, in the financial and accounting rules applicable to the Organization. Based on the above, the Board considers that the United Nations system accounting standards provide limited grounds to support the accounting treatment set out in note 2 (m)(vi) to the financial statements.

85. The administration argued that paragraph 38 of the United Nations system accounting standards should not be read as implying that all disbursements should be recognized as expenditure. It further stated that, as provided in the administrative instruction on education grant (ST/AI/2004/2), education grants are considered as advances when paid before the end of the scholastic year.

86. This argument fails to explain why advances to staff members do not fall under the category of disbursements made against the appropriation of the period set out in paragraph 38 of the United Nations system accounting standards. These advances do not amount to loans made to staff on a discretionary basis, which can be practised in some entities; such transactions would definitely be treated as accounts receivable.

Education grant is a legal entitlement supported by relevant appropriations in the budget of the United Nations.

87. In addition, considering the conflicting interpretations of the United Nations system accounting standards on this matter and the lack of a definition of an advance in the United Nations system accounting standards, the Board turned to the fundamental accounting principle of substance over form recognized by the United Nations system accounting standards (see para. 5.iii), according to which the economic reality of a transaction prevails over its legal nature. In this case, even though the education grant is indeed to be considered as an advance in accordance with the above-mentioned administrative instruction, they are actually payments made to their final beneficiaries and, in the absence of any specific accounting standard on the matter, constitute expenses of the Organization.

88. **The Board recommends that UNEP, in collaboration with the United Nations Headquarters Administration, revise its accounting treatment of education grants.**

7. Statement of assets, liabilities and reserves and fund balances

89. As at 31 December 2009, contributions receivable represented $5.7 million for the Environment Fund and $15.3 million for general trust funds, as indicated in the statement of assets, liabilities, reserves and fund balances (statement II). In addition, as at 31 December 2009, the amount of the contributions receivable for the Multilateral Fund was $184.0 million, as indicated in schedule 9.1. Table II.5 shows all contributions receivable as at 31 December 2009.

Table II.5
Comparison of voluntary contributions, including outstanding contributions, 2004-2005 to 2008-2009

(Thousands of United States dollars and percentage)

	2005	*2007*	*2009*	*Variation 2009/2007 (percentage)*	*Variation 2007/2005 (percentage)*
All UNEP funds (including Global Environment Facility)					
Total voluntary contributions	505 476	545 768	714 449	+30.9	8
Contributions receivable	19 357	20 801	20 986	0	7
Portion of contributions outstanding at the end of the period (percentage)	3.83	3.81	2.94		
Multilateral Fund for the Implementation of the Montreal Protocol (statement IX)					
Total voluntary contributions	264 606	257 648	254 508	-1.2	-3
Contributions receivable	165 179	173 751	183 998	+5.9	5
Portion of contributions outstanding at the end of the period (percentage)	62.42	67.44	72.30		

Source: UNEP financial statements.

Information on ageing of contributions receivable

90. Schedules 4.1 (for the Environment Fund) and 9.1 (for the Multilateral Fund) present the ageing of unpaid contribution pledges, splitting their ageing as follows: "less than 7 months", "7 to 12 months", "13 to 24 months", and "more than 24 months".

91. Regarding the Multilateral Fund, of the $127.3 million in pledges grouped under the heading "more than 24 months", $117 million were in fact more than five years old, that is, 63.6 per cent of $183.9 million of contributions receivable.

92. The grouping under the heading "more than 24 months" hence did not accurately reflect the very significant ageing of certain pledges.

93. Note 2 (k) (i) to the financial statements indicates that "pledges to the Environment Fund remaining unpaid after four years are written off with the approval of the Governing Council. Pledges to multilateral environmental agreements which involve a budget that has been approved by the parties, are written off with the approval of the parties to that multilateral environmental agreement".

94. Adequate information on the ageing of voluntary contributions is necessary, since it may entail writing off unpaid pledges. It is therefore important that the financial statements accurately indicate the ageing of contributions.

95. **UNEP agreed with the Board's recommendation that it include more details on the ageing of contributions receivable disclosed in its financial statements.**

Multilateral Fund contributions receivable

96. Contributions to the Multilateral Fund are recorded as income on the basis of a written commitment from Member States. As at 31 December 2009, unpaid pledges to the Multilateral Fund amounted to $184.0 million, as disclosed in schedule 9.1 of the financial statements. This amount represented more than 72 per cent of pledges for 2008-2009 ($254.5 million). More than $117 million of unpaid pledges were more than five years old.

97. The Multilateral Fund is based on a specific convention among all Member States. The UNEP Governing Council does not administer it. When a pledge is not paid, its write-off necessitates the agreement of the Parties is necessary. While UNEP does not have control over these unpaid pledges, it is responsible for the fairness of its financial statements. Consequently, UNEP had drawn the attention of the Parties to the need to address the payment of long-outstanding contributions.

98. However, footnote (ii) to statement IX indicates that "the Parties to the Montreal Protocol consider that all unpaid pledges are fully collectible ... the fund encourages parties to pay their outstanding contributions in full, and no write-offs are currently being considered". As at 31 December 2009, no provisions had been recorded by UNEP with respect to these unpaid Multilateral Fund pledges.

99. At its sixtieth meeting, which took place in April 2010 in Montreal, the Multilateral Fund Executive Committee raised the question of certain outstanding contributions, which it then communicated to UNEP. The report acknowledged that actions had been undertaken by the Chief Officer and the Executive Committee to recover these outstanding contributions, since 2004, with no results.

100. The Board considers that the payment of some long-outstanding contributions could be seen as uncertain. According to paragraph 5 (i) of the United Nations system accounting standards, prudence should govern the selection and application of accounting policies. This framework specifies the definition of prudence as follows: "Uncertainties inevitably surround many transactions. This should be recognized by exercising prudence in preparing financial statements." In addition, paragraph 34 of the United Nations system accounting standards stipulates that "in the interests of prudent financial management, provision may be made as appropriate where the collection of the income so recognized is considered doubtful".

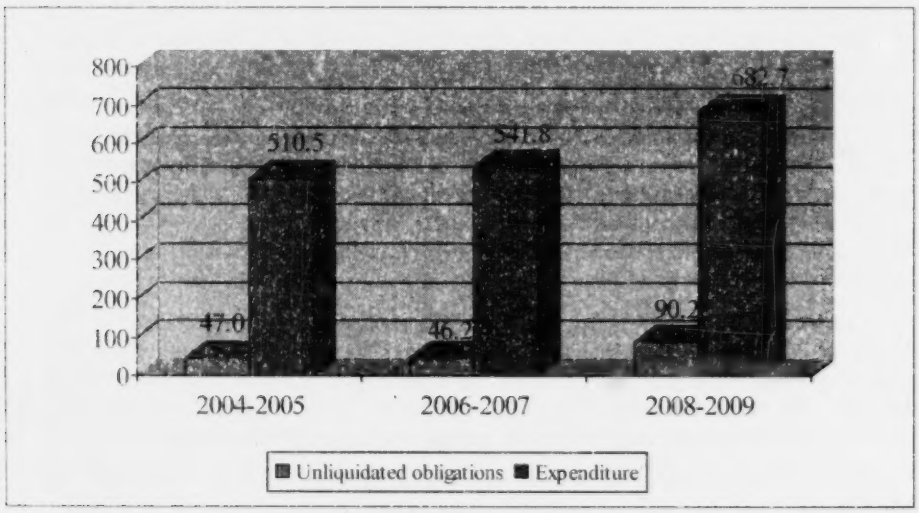
101. However, UNEP had not specified its policy regarding provisions for delays in the collection of outstanding contributions.

102. **The Board recommends that UNEP disclose in a note to the financial statements the policy regarding provisions for delays in the collection of the outstanding contributions.**

Unliquidated obligations

103. Unliquidated obligations as at 31 December 2009 amounted to $90.2 million, representing 13.2 per cent of total expenditure. Unliquidated obligations increased by 95.4 per cent (from $46.2 million to $90.2 million), while total expenditure increased by only 26 per cent (from $541.8 million to $682.7 million). Figure II.III shows unliquidated obligations against total expenditure for the 2004-2005, 2006-2007 and 2008-2009 financial periods.

Figure II.III
Unliquidated obligations and expenditure
(Millions of United States dollars)



Source: UNEP financial statements.

104. This increase was mainly explained by a change in the way expenditures related to Project Cooperation Agreements with implementing partners were recorded. Indeed, as at 1 January 2009, UNEP decided to obligate the forecast cost of projects undertaken by its implementing partners by way of Project Cooperation Agreements upon signature of the agreements, while until 2008, payments to implementing partners were obligated only when the cash advance was given to the partners. Further comments on this subject are provided in the relevant section of the present report.

105. Rule 105.9 of the Financial Regulations and Rules of the United Nations provides that "an obligation must be based on a formal contract, agreement, purchase order or other form of undertaking, or on a liability recognized by the United Nations. All obligations must be supported by an appropriate obligating document".

106. The Board noted that unliquidated obligations in the amount of $143,607, or 0.15 per cent of the total unliquidated obligations, which had been settled before the end of the biennium, had nonetheless been disclosed as still unliquidated in the financial statements.

107. **The Board recommends that UNEP ensure that all obligations cancelled before the end of the year are no longer recorded as unliquidated obligations.**

8. End-of-service liabilities, including after-service health insurance

Funding policy

108. In its previous report, the Board recommended UNEP set up a funding plan for end-of-service liabilities (see A/63/5/Add.6, para. 44).

109. With regard to repatriation benefits, a dedicated fund was created in 2007 to meet the obligations. UNEP currently pays 8 per cent of salaries monthly for repatriation benefits, charging various sourcing funds.

110. The Board noted, however, that UNEP did not have formally documented funding plans for after-service health insurance and unused vacation days that had been approved by the Governing Council of UNEP. A funding plan would include a comprehensive and effective funding strategy that considers the nature of the liabilities to be funded and nature of the investments to be maintained for such liabilities. The funding plan may also need to consider the appropriateness of ring-fencing the investments set aside for such liabilities.

111. The Board was concerned that where end-of-service and post-retirement liabilities were not supported by an approved funding plan, there was a risk that UNEP might not be in a financial position to fully meet its obligations with regard to end-of-service liabilities and post-retirement benefits as and when those liabilities become due.

112. **The Board reiterates its previous recommendation that UNEP set up specific funding to balance in its liabilities for end-of-service and post-retirement benefits, for consideration and approval by its Governing Council and the General Assembly.**

Discount rate

113. As regards the discount rate used for the calculation of end-of-service liabilities, UNEP had used a discount rate of 6 per cent.

114. A discount rate is an interest rate used as a common financial practice to estimate the present value of an amount to be earned or lost at a future date. In other words, it represents the time value of money. As the end-of-service liabilities consist of benefits that will be paid out by UNEP to its retired staff in the future, IPSAS, like most other accounting frameworks, require that these amounts be discounted so that the reporting entity takes their present value as an estimate of its liability.

115. In practical terms, the higher the discount rate, the lower the present value of future amounts (conversely, the lower the rate, the higher the present value). For example, all things being equal, the actuary report indicated that the decrease in the discount rate of 1 per cent used by UNEP would result in a liability increase of 24 per cent, which represents $9,352,320.

116. IPSAS 25, which serves as a reference for the actuarial methodology used for the valuation of the after-service health insurance liability in accordance with General Assembly resolution 61/264, does not prescribe any particular discount rate. However, it states that: "The rate used to discount post-employment benefit obligations (both funded and unfunded) shall reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money shall be consistent with the currency and estimated term of the post-employment benefit obligations" (para. 91). It further specifies that "an entity makes a judgement whether the discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds, high-quality corporate bonds or by another financial instrument. In some jurisdictions, market yields at the reporting date on government bonds will provide the best approximation of the time value of money. However, there may be jurisdictions in which this is not the case, for example, jurisdictions where there is no deep market in government bonds, or in which market yields at the reporting date on government bonds do not reflect the time value of money. In such cases, the reporting entity determines the rate by another method, such as by reference to market yields on high quality corporate bonds" (para. 94).

117. Like most of the methodological elements used for the actuarial valuation of the after-service health insurance liability, the discount rate was selected by the United Nations on behalf of all entities participating in the same health insurance plans for which the United Nations coordinated the valuation exercise.

118. According to the United Nations, the purpose of selecting a discount rate when valuing end-of-service liabilities benefits is to measure the single amount that, if invested in a portfolio of high-quality debt instruments, would provide the future cash flow necessary to pay the accrued benefits when due. The United Nations has historically established the discount rate assumption by referring to rates of return on available high-quality, fixed-income investments with cash flow that match the timing and amount of expected benefit payments. The rates of return used as a reference by the United Nations have been those of high-quality, long-term corporate bonds.

119. While the Board acknowledges that this methodology is compliant with IPSAS 25, yet makes the following comments for consideration in the discussion on the funding of these liabilities:

(a) The increase in the discount rate does not reflect the trend in interest rates which have generally tended to decrease during the recent period. The increase is due to the decision of the United Nations not to increase the discount rate for the previous valuation, although the application of the methodology described above would have resulted in an increase from 5.5 per cent to 6.5 per cent at that time. Given the uncertainties on the prescriptions of the Accounting Standards (IPSAS 25 had not yet been adopted), the United Nations had conservatively decided to maintain the 5.5 per cent rate. Had it chosen to raise the rate to 6.5 per cent, the rate would have decreased — rather than increased — for the last valuation, which would have been consistent with the economic environment;

(b) The discount rate is but only example of the high level of uncertainty inherent in the actuarial valuation of a liability. While compliant with the Accounting Standards, the present valuation is only an estimate of the actual value of the liability. Consequently, the Executive Board and the General Assembly may wish not to regard it as an absolute reference. Valuations based on standards other than the Accounting Standards may yield different results. In that regard, the Board wishes to emphasize that a financial valuation of funding needs (or a "funding valuation") would result in a value different from that determined through an accounting valuation, which is generally more conservative.

Annual leave actuarial valuation

120. Accrued liabilities represent the present value of benefits (excluding retiree contributions) earned between the recruitment date of United Nations staff and the date of the actuarial evaluation. They comprise benefits linked to the status of international staff, including financial compensation for unused annual leave (unused vacation days) and repatriation benefits. The leave liability of UNEP amounted to $7.9 million as at 31 December 2009.

121. Whereas the annual leave liability and repatriation grants had previously been estimated using the current-cost methodology, UNEP had changed its accounting policy and calculated the annual leave liability based on an actuarial valuation performed by an external consultant. The Board noted that the external consultant indicated in its report that it had been asked by UNEP to provide "... an actuarial valuation of after-service health insurance, repatriation and annual leave benefits for the purpose of reporting under International Public Sector Accounting Standard 25 (IPSAS)".

122. The Board reviewed the actuarial valuation report, in which the amounts of the liabilities for after-service health insurance, repatriation grants and annual leave were determined by the actuary. As far as the annual leave liability is concerned, the extracts of the assumptions detailed in the actuarial valuation report were as follows:

(a) Annual leave benefits to provide staff members with periods of time off from work at full pay for personal reasons and for the purposes of health, rest and recreation. Upon separation from service, staff members who have accrued unused

annual leave will be paid for each day of unused leave up to a maximum of 60 days. This benefit is referred to as "annual leave";

(b) Annual leave projection: the annual leave balance upon separation from service was projected to be equal to a staff member's current annual leave balance as of 1 January 2010 plus additional days of annual leave earned and not taken after 1 January 2010 ...";

(c) The obligations were valued based on a discount rate of 6 per cent as at 31 December 2009.

123. UNEP justified the change in the method for the valuation of annual leave by reference to IPSAS 25, although no mention of IPSAS is made in the financial statements. This change is considered by UNEP as an enhancement to the financial information which, while compliant with the United Nations system accounting standards, is a step towards the full implementation of IPSAS.

124. The Board took this fact into consideration and would check whether this new valuation method would be compliant with IPSAS once it is fully applicable to UNEP.

125. An important distinction is made by IPSAS 25 between short-term and long-term benefits. UNEP has applied the actuarial valuation method to the leave liability based on the assumption that annual leave is a long-term benefit.

126. IPSAS 25 defines short-term employee benefits as "benefits (other than termination benefits) which fall due wholly within 12 months after the end of the period in which the employees render the related service". Furthermore, IPSAS 25, paragraph 11, provides examples of items that are classified as short-term benefits, and the examples include "short-term compensated absences (such as annual leave and paid sick leave) where the absences are expected to occur within 12 months after the period in which the employees render the related service". The fact that, as provided for by the staff rules of the United Nations, employees may accumulate unused leave days from one period to the next does not in itself make annual leave a long-term benefit. Nor does the fact that employees are entitled to a cash payment for unused leave days upon ceasing service. IPSAS 25 (paras. 14-19) provides for these cases, which are classified under short-term benefits.

127. In addition, IPSAS 25, paragraph 12, states that "accounting for short-term employee benefits is generally straightforward because no actuarial assumptions are required to measure the obligation or the cost and there is no possibility of any actuarial gain or loss. Moreover, short-term employee benefit obligations are measured on an undiscounted basis".

128. Therefore, the Board is of the view that the annual leave liability of $7,962,000 calculated through the actuarial valuation is not compliant with IPSAS 25 as it (a) includes future days to be accumulated and (b) is a discounted amount.

129. **UNEP agreed with the Board's recommendation that it consider a review of its policy for the valuation of leave liability in its implementation of IPSAS.**

9. Results-based management/budgeting

130. Results-based budgeting is a programme budgetary process in which: (a) programme formulation revolves around a set of predetermined objectives and expected results; (b) expected results are derived from and linked to outputs; and (c) actual performance is measured by objectives and performance indicators. It uses a logical framework which is formulated to ensure that expected results are specific, measurable, attainable, realistic and time-bound.

131. In respect of the results-based budgeting process, the Board has reviewed the programme budget of UNEP for the biennium 2008-2009.

132. The structure of the programme budget conformed to a logical framework defined in the Secretary-General's bulletin on the Regulations and Rules Governing Programme Planning, the Programme Aspects of the Budget, the Monitoring of Implementation and the Methods of Evaluation (ST/SGB/2000/8). This framework included objectives, expected accomplishments, indicators of achievement and external factors.

133. While the formal presentation of the logical framework had been complied with, the Board found that there was no means of verifying some of the achievements mentioned. Not all the figures of the performance report were substantiated by supporting documents and the supporting documents were not centralized in a database.

134. **UNEP agreed with the Board's recommendation that it ensure that all indicators of achievement are supported by documentary evidence.**

10. Programme and project management

Projects implemented by external partners — overall process

135. Projects of UNEP, the Division of Global Environment Facility Coordination and the Multilateral Fund can be implemented by external partners. Those partners are referred to as "implementing partners" for UNEP and the Multilateral Fund, and "executing partners" for the Division of Global Environment Facility Coordination, and will all be referred to as "implementing partners" in the present report.

136. Before a project can be executed by an implementing agency, a contract needs to be signed between the organization and the partner. In practice, different legal instruments are used, depending on the size of the project and the type of implementing agency: UNEP, including the Division of Global Environment Facility Coordination and the Multilateral Fund, used small-scale funding agreements for contracts under $200,000, Project Cooperation Agreements for contracts over $200,000, letters of agreement for projects undertaken by other United Nations agencies, or internal cooperation agreements for projects implemented by other UNEP divisions.

Accounting methods

137. Different methods of accounting were used by UNEP, the Division of Global Environment Facility Coordination and the Multilateral Fund with regard to payments made to implementing partners.

138. UNEP small-scale funding agreements were obligated upon signature of the legal instrument. UNEP large-scale projects (Project Cooperation Agreements) (until 31 December 2008, the date on which UNEP aligned large-scale and small-scale projects), and the Division of Global Environment Facility Coordination and Multilateral Fund projects were not. UNEP obligated the amount of the cash advance when it was given to implementing partners.

139. The second paragraph of the preface to the United Nations system accounting standards states that one objective of the accounting standards is to "promote consistent accounting and financial reporting practice between the organizations". Hence, only major differences in business models could justify such differences in accounting for payments made to implementing agencies.

140. The Board reviewed contracts that had been signed between UNEP, the Division of Global Environment Facility Coordination and their implementing partners. They all mentioned the role of the implementing partner ("the partner shall be responsible for the implementation of the project"), the maximum funding amount, and requirements for cash advances and progress reports from the partner. There was no notable difference among these contracts that would justify different accounting methods.

141. **The Board recommends that UNEP, in collaboration with the United Nations Office at Nairobi, establish a uniform system of accounting treatment for projects implemented by external partners, or justify the need for different accounting methods.**

11. Procurement and contract management

Delegations of authority

142. Procurement and contract management services were carried out by the Procurement, Travel and Shipping Section of the United Nations Office at Nairobi, on behalf of UNEP.

143. Regulation 5.12 of the Financial Regulations and Rules of the United Nations states that "procurement functions include all actions necessary for the acquisition, by purchase or lease, of property, including products and real property, and of services, including works". Procurement actions include identifying a need, specifying the requirements to fulfil the needs, identifying potential suppliers, soliciting bids and proposals, evaluating bids and proposals, awarding contracts and purchase orders, tracking progress and ensuring suppliers' compliance, accepting and inspecting delivery, paying the suppliers, and managing the assets procured or the service contracted.

144. In 2005, a delegation of authority was granted to the Director of the Division of Administrative Services of the United Nations Office at Nairobi to sign contracts and order goods and services. This authority was subsequently delegated to certain members of the Procurement Office, with threshold values established on the basis of their grade. These values were set out in the annexes to the Delegation of Authority document dated 19 May 2005. They are set out in table II.6.

Table II.6
Financial thresholds of delegated procurement authority

Officials to whom authority may be further delegated	*Financial thresholds of delegated procurement authority*
Director/Chief of Administration (D-1 and above)	Unlimited: exercise of authority in excess of $200,000 is subject to review by the Local Committee on Contracts
Chief Procurement Officer (P-5)	$150,000: procurement in excess of $150,000 is subject to approval by the Director/Chief of Administration, and procurement in excess of $200,000 is subject to review by the Local Committee on Contracts and approval by Director/Chief of Administration
Procurement Officer (P-4)	$75 000
Procurement Officer (P-3)	$50 000
Associate Procurement Officer (P-2)	$25 000
Procurement Assistant (GS-5 and above)	$7 500

145. During the biennium 2008-2009, orders for goods or services were placed from UNEP funds by eight officers in amounts exceeding their delegation of authority. The total value of those orders (77) was $2.9 million.

146. A control was set up in the IMIS software during 2009 to automatically check the authorized limits for each officer placing purchase orders. However, this control was not correctly customized to reflect the financial thresholds mentioned in the 2005 revised annexes. A total of 29 people could approve purchase orders of unlimited amounts, and one person at the GS-7 level was authorized, in the customizing of the application, to approve amounts of up to $70,000.

147. **UNEP agreed with the Board's recommendation that, in coordination with the United Nations Office at Nairobi, it periodically review the procurement parameters in IMIS to ensure that they reflect the thresholds set in the delegations of authority for procurement and contract management.**

Vendor database

148. Article 7.9.1.e of the United Nations Procurement Manual requires that vendors be formally registered in the vendor database once the procurement office has ensured that the vendor fulfils the required minimum standards before contracts are awarded to them and specifies that no contractual award shall be made prior to formal registration of a vendor upon completion of the vendor registration application and that any exception to this policy shall be made only upon written decision of the Director, Procurement Division at Headquarters and upon consultation with the Vendor Review Committee, if applicable.

149. The United Nations Office at Nairobi, the United Nations Human Settlements Programme (UN-Habitat) and UNEP share a common vendor database. The formal registration of a vendor made it possible to secure and simplify the procurement process, in particular when issuing calls for tender, by proposing a list of qualified vendors.

150. As at the audit date, only 793 vendors out of a total of 8,105 (that is, less than 10 per cent), had been formally registered in the IMIS software. As an example, out of six contracts selected during the audit that concerned significant amounts (more

than $1 million), none of the vendors had been formally registered in the vendor database.

151. In addition, in 2009, a batch processing operation had marked all the vendors of the reference base as active, without any prior analysis.

152. As at the audit date, 53 per cent of vendors had not been contracted with for more than four years. Declaring them to be active may allow inappropriate use of those vendors.

153. **UNEP agreed with the Board's recommendation that, in coordination with the United Nations Office at Nairobi, it: (a) formally register the vendors of the database before awarding a contract; (b) declare the individual database vendors as active; and (c) carry out a review of the vendor database to designate unused vendors as inactive.**

Contract monitoring database

154. The contracts for goods and services were centralized in a Lotus Notes database. This database was separate from the IMIS accounting system, and the information was therefore re-entered manually in IMIS. Moreover, since the contract number was not entered in IMIS, overall monitoring of the amount of purchase orders per contract was not possible, because no automatic link existed between a purchase and the reference contract.

155. In addition, the management of the database could be improved: the contract start dates or numbers were not always entered, and the amounts were given in local currencies or in United States dollars without any indication of the currency used.

156. **The Board recommends that UNEP, in coordination with the United Nations Office at Nairobi: (a) add a required field in the IMIS system so that the relevant contract number can be entered for goods and services orders associated with a particular contract; and (b) keep the contract management database up to date.**

12. Management of non-expendable property

157. According to the administrative instruction on property management and inventory control at United Nations Headquarters (ST/AI/2003/5), non-expendable property consists of:

(a) Property or equipment valued at $1,500 or more per unit at the time of purchase and having a service life of at least five years (e.g., generators, kitchen equipment, major equipment and vehicles);

(b) Special items, which are property items considered to be of an attractive nature and easily removable from the premises because of their size, costing $500 or more per unit at the time of purchase and with a service life of three years or more (e.g., computers, cameras, televisions, facsimile machines and tape recorders); and

(c) Group inventory items (e.g., furniture and modular workstations) with a service life of five years or more, irrespective of value.

158. As disclosed in note 13 to the financial statements, the value of non-expendable property as at 31 December 2009 amounted to $9.3 million, a 46.9 per cent decrease from the previous period's balance of $17.5 million.

159. As at 31 December 2009 a total of $8 million had been accounted for as prior-year adjustments. The Board was informed that those adjustments corresponded to corrections posted in the inventory system as a result of the physical stocktaking performed during the biennium. In fact, the management informed the Board that, prior to 2008, inventory data were recorded in Excel spreadsheets and were based on cumulative acquisitions. At the end of April 2008, and based on previous audit recommendations (the last one in para. 76 of the Board's previous report A/63/5/Add.6), a physical inventory was carried out. The records were subsequently reconciled, and the previously reported figures were adjusted to the actual count. UNEP concluded that some disposals had not been recorded for a number of years in the summaries used to draw up the financial statements. Thus, after a thorough count, UNEP established that the actual value of non-expendable property disclosed in the financial statements was significantly lower than the accumulated values recorded.

160. The Board asked for supporting documentation pertaining to prior-year adjustments. UNEP was unable to produce any listing of disposals not booked before 2008. The Board acknowledged that UNEP had taken a very significant step by implementing a physical inventory and reconciling records with the physical counts. However, in the absence of supporting evidence, the Board was unable to give reasonable assurance on the amount of prior-year adjustments reported in the financial statements and, consequently, on the value of the non-expendable property of UNEP.

161. In accordance with the previous recommendations of the Board, UNEP had introduced an inventory management system during the biennium. This system (Hardcat), designed to improve asset management and inventory control, was, as at the audit date, intended solely for recording and managing non-expendable property at UN-Habitat headquarters (Nairobi). The Board understands, however, that access to the system is to be extended to a number of offices (26 licences acquired so far).

162. Accelerating the development of the inventory management system to all outposted and liaison offices would ensure efficient property management.

163. **UNEP agreed with the Board's recommendation regarding the extension of the inventory management system to outposted and liaison offices.**

13. Information technology

Preparation of financial statements

164. In paragraphs 77 to 83 of its previous report (A/63/5/Add.6), the Board noted that the procedure for producing the financial statements contained some inadequacies.

165. The accounts management system in IMIS did not allow the financial statements of UNEP to be produced automatically. To overcome this deficiency, a special module, known as Crystal, was used by the United Nations Office at Nairobi. The aim was to retrieve the account balances required to produce the financial statements, in particular the trial balances of accounts by fund.

166. Once Crystal had retrieved the data, the Office's accounts service transposed them into spreadsheets. To obtain all the data required to analyse the financial statements (i.e., general balance, balance by fund, details of expenditure and

income, obligations and contributions), the accounts service made several different retrievals using Crystal. The service then reprocessed the data exported from Crystal to files so that they could be put into the form required for the financial statements.

167. The system entailed time limits and the risk of errors linked to manual operations. Producing the financial statements from the data retrieved from the accounting system required four stages, two of which were not automated.

168. This insufficient automation was also highlighted by the manual export and reprocessing operations required to transfer the balance accounts, held by account number according to the IMIS accounting chart, to the balances reported in the financial statements, which were kept according to the nature of the operation.

169. UNEP had agreed with the Board's recommendation in paragraph 83 of its previous report (A/63/5/Add.6) to look at options for reducing manual processing to a minimum.

170. During the interim audit conducted in 2009, the Board further specified its recommendation, asking:

(a) Reduce the number of manual operations performed on the base data, for example, by directly configuring a satisfactory output format in Crystal;

(b) Supplement the current procedure with a detailed explanation of all the manual operations to be performed on the data in Excel and a description of checks to be made on the various tables;

(c) Compile a manual describing precisely which accounts are integrated into the various lines in the financial statements, as well as how the creditor and debtor account balances were to be split between assets and liabilities.

171. The Board noted that a new tool based on Microsoft Access was now used to generate the financial statements automatically, after processing raw Excel retrievals made by Crystal. A few manual operations remained, however, to change the position of some statement lines, and to take into account elements that were not processed by IMIS. A draft manual, describing the preparation of the financial statements, has been issued.

172. When trying to apply the checks and controls detailed in the draft manual, the Board noted that several tests were insufficiently described to enable them to be properly completed by third parties.

173. **UNEP agreed with the Board's recommendation that, in coordination with the United Nations Office at Nairobi, it: (a) program the Microsoft Access tool for preparing the financial statements in order to eliminate any residual manual operations; (b) study the possibility of making IMIS process all funds; and (c) refine the description of the checks and controls.**

Journal voucher entries

174. Journal voucher entries are direct, manual entries in general ledger accounts. As such, they entail risks of fraud or inappropriate use of the systems that may lead to misstatements or errors in the financial statements. Such entries ought to be closely monitored and reviewed, and access rights to such transactions ought to be restricted.

175. The Board noted that 26 per cent of general ledger entries for income and 1 per cent of those for expenditure had been recorded through journal voucher entries, which was due mainly to a limitation of the IMIS system. This had the following consequences: no fewer than 74 staff members could create journal voucher entries, and out of 62 staff members in the Accounts Section of the United Nations Office at Nairobi, 18 could approve them. The Board is of the view that both the volume of journal voucher entries and the number of staff authorized to make them considerably increased the risk of error or fraud.

176. In addition, the Board found that the reviews of the journal voucher entries were not conducted frequently enough.

177. **UNEP agreed with the Board's recommendation that, in coordination with the United Nations Office at Nairobi, it: (a) take advantage of the upcoming implementation of the new enterprise resource planning system to eliminate journal voucher entries; and (b) strengthen internal control over journal voucher entries and the access rights to make them.**

14. Internal audit

178. In 2008-2009, the Office of Internal Oversight Services (OIOS) conducted two assignments at UNEP and produced two reports. The first assignment was an audit related to the financial management of a specific plan. The second assignment was a risk assessment of the whole of UNEP. However, the action plan had specified four audits in 2008 and four in 2009. In paragraph 34 of its report on the financial reports and audited financial statements of the Board of Auditors for the financial period ended 31 December 2007 (A/63/474), the Advisory Committee on Administrative and Budgetary Questions expressed its concern at the low rate of completion of planned audit assignments and stressed that this needed to be reversed. The Board is concerned at the low rate of completion again observed, which might have derived, inter alia, from the high vacancy rate (40 per cent) in the Nairobi Office of OIOS. The Board is of the view that the effectiveness of the internal audit service needs to be addressed as a priority.

179. **The Board recommends that OIOS improve the rate of completion of its planned audits on UNEP.**

180. OIOS conducted an audit concerning the financial performance of UNEP through the assessment of the Mediterranean Action Plan. The results of this audit can be summarized as follows. As at 31 August 2008, 80 per cent of contributions were subject to delays in collection, and the operating reserve of the Mediterranean Trust Fund was a deficit of $811,203 as at 30 September 2008. These conditions had been exacerbated by the lack of a fund-collecting strategy to cover the deficit. The audit revealed irregularities concerning official travel and hospitality expenditures. It was recommended that UNEP put in place control mechanisms to ensure compliance with the rules governing these expenditures.

181. The report contained 18 recommendations, only one of which was not accepted. A total of 15 of the recommendations had been implemented at the time of the Board's audit, and two were under implementation.

182. The aim of the risk assessment exercise of the whole of UNEP was to understand the organizational relations, the risks, the controls and the process in place to achieve the results. It concerned governance and strategic management,

financial management, human resources management, contracts, the information system, logistic management means, programme and project management, management of documentation and conferences.

183. The Board took account of this assessment of the principal risks in its own audits.

C. Disclosures by management

1. Write-off of losses of cash, receivables and property

184. The administration informed the Board that in accordance with financial rule 106.8, losses of cash and receivables amounting to $3,284,686 had been written off during 2008-2009. In accordance with financial rule 106.9, losses amounting to $132,939 had also been written off in respect of non-expendable property.

2. Ex gratia payments

185. As required by regulation 105.12 of the Financial Regulations and Rules of the United Nations, the administration reported no ex gratia payments for the period under review.

3. Cases of fraud and presumptive fraud

186. In accordance with paragraph 6 (c) (i) of the annex to the Financial Regulations and Rules of the United Nations, the Board examined the cases of fraud and presumptive fraud that had taken place during the biennium.

Description of cases

187. An amount estimated at $214,058 had been overpaid to an implementing agency in an African country in 2003. This agency claimed that it had refunded the sum in question to UNEP. In August 2008, during the review of the project for which this amount had been paid, the focal point of the UNEP Division of Global Environment Facility Coordination in the implementing agency's country discovered that this sum had not been repaid and that the agency had misled UNEP. The Director of the Division then sent a letter to the Ministry of Finance of the implementing agency's country asking them to repay this amount to UNEP. The Board has not received assurance that this sum has been repaid and has not received any further information from UNEP on the handling of this case.

188. **UNEP agreed with the Board's recommendation that it obtain the reimbursement of the amount of $214,058 overpaid to an implementing agency in Africa or consider its write-off.**

189. In another case, invalid documents relating to expenses of UNDP in Mauritania were sent to UNEP for reimbursement. Those expenses, in the amount of $719,335, were based on UNDP authorizations, which had been falsified. The United Nations Office at Nairobi refused to reimburse the expenses and subsequently set up a database in 2008 to facilitate control of the payment of inter-organization invoices.

D. Acknowledgement

190. The Board wishes to express its appreciation for the cooperation and assistance extended to its staff by the Executive Director of the Fund of the United Nations Environment Programme, and members of their staff.

(*Signed*) Terence **Nombembe**
Auditor-General of South Africa
Chair of the United Nations Board of Auditors

(*Signed*) Didier **Migaud**
First President of the Court of Accounts of France
(Lead Auditor)

(*Signed*) **Liu** Jiayi
Auditor-General of China

30 June 2010

Annex

Status of implementation of recommendations of the Board of Auditors for the biennium ended 31 December 2007

Summary of recommendation	*Paragraph reference in the previous report (A/63/5/Add.6, chap. II)*	*Financial period first made*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
Strictly apply the provisions of the administrative instruction relating to travel costs or obtain new measures from the United Nations Secretariat if it is confirmed that the current provisions are inappropriate	19	2004-2005		X		
Monitor on a regular basis the level of its liquidity and the progress of its projects	35	2006-2007	X			
Set up specific funding to balance in its accounts its liabilities for end-of-service and post-retirement benefits, particularly health insurance	44	2006-2007		X		
Disclose in its financial statements the resources received from the regular budget and the related expenditure	50	2006-2007	X			
Disclose all advances paid to implementing partners on the specific line in its financial statements and provide additional information in the notes	53	2006-2007	X			
Establish in conjunction with the United Nations Human Settlements Programme and the United Nations Office at Nairobi a working group for both IPSAS and the enterprise resource planning system	57	2006-2007	X			
Review the service agreement with the United Nations Office at Nairobi	62	2006-2007		X		
Improve its internal control procedure to ensure that contributions are correctly recorded	65	2006-2007	X			
Continue to draw the attention of the parties to the payment of long-outstanding contributions or their write-off	72	2006-2007	X			
Justify the amount of non-expendable property disclosed in the financial statements with the results of the physical inventory	76	2006-2007	X			
Look at options for reducing manual processing to a minimum	83	2006-2007		X		
Total	**11**		**7**	**4**	**0**	
Percentage	**100**		**64**	**36**	**0**	

Chapter III

Certification of the financial statements

The financial statements of the United Nations Environment Programme for the biennium ended 31 December 2009 have been prepared in accordance with financial rule 106.10 of the United Nations and financial rule 213.3 of the United Nations Environment Programme.

The summary of significant accounting policies applied in the preparation of these statements is included in the notes to the financial statements. The notes also provide information on and clarifications of the financial activities undertaken by the United Nations Environment Programme during the period covered by the statements, for which the Secretary-General has administrative responsibility.

I certify that the appended financial statements of the United Nations Environment Programme, including the associated trust funds and other related accounts numbered I to IX, are correct.

(*Signed*) David G. **Hastie**
Chief Finance Officer
United Nations Office at Nairobi

31 March 2010

Chapter IV

Financial report for the biennium ended 31 December 2009

Introduction

1. The Executive Director has the honour to submit herewith the financial report, together with the accounts of the United Nations Environment Programme (UNEP), including the Environment Fund, associated trust funds and the related accounts for the biennium ended 31 December 2009. The accounts consist of nine statements supported by three schedules and notes to the financial statements. These accounts were transmitted to the Board of Auditors on 31 March 2010.

2. Comparative figures for the biennium ended 31 December 2007, as appropriate, have been reflected in the financial statements.

3. In conformity with United Nations Headquarters reporting requirements:

(a) The interfund balances are not offset;

(b) The accounts receivable and accounts payable are reported without offset;

(c) Accrued liabilities for end-of-service benefits, comprising after-service health insurance liabilities, unused vacation days and repatriation benefits, are presented as liabilities in the accounts.

4. The financial statements and schedules, as well as the notes thereon, are an integral part of the financial report.

Financial overview

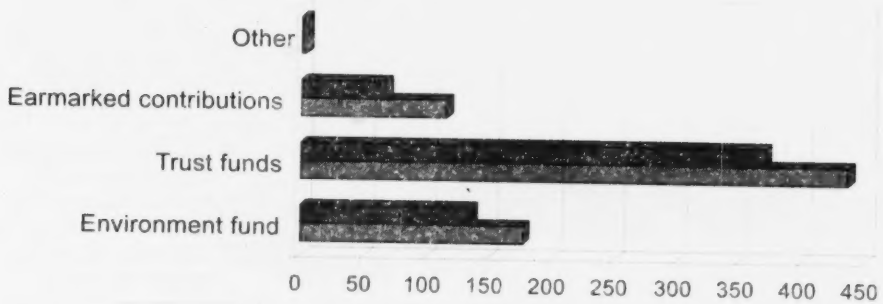
All funds

5. Statements I to III show the UNEP all funds summary financial position for the bienniums ended 31 December 2009 and 31 December 2007, with the exception of the Multilateral Fund, for which UNEP acts as treasurer, which is reported on statement IX.

6. The income of UNEP for the biennium ended 31 December 2009, compared with the biennium ended 31 December 2007, increased by $154.4 million (26.7 per cent) to $733.0 million.

7. Figure IV.I shows the income of UNEP by major categories for the biennium ended 31 December 2009 compared with the biennium ended 31 December 2007.

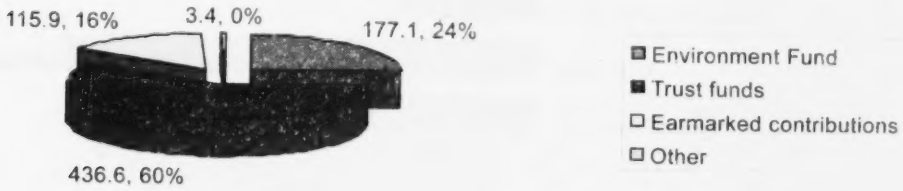
Figure IV.I
UNEP income by source of funding
(Millions of United States dollars)



	Environment Fund	Trust funds	Earmarked contributions	Other
■2007	136.2	370.6	68.1	3.8
■2009	177.1	436.6	115.9	3.4

8. Figure IV.II shows the income of UNEP for the biennium ended 31 December 2009 by major categories.

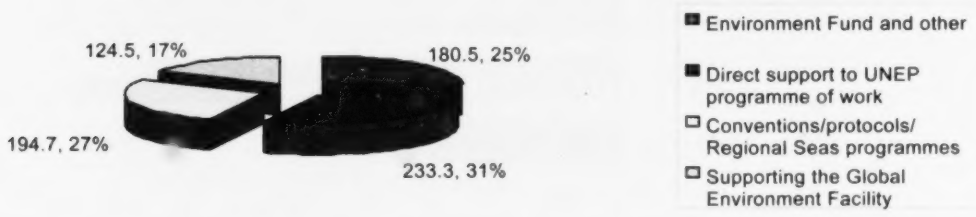
Figure IV.II
UNEP income by category
(Millions of United States dollars and percentage)



9. The Environment Fund, which constitutes the core resources of UNEP, is considered in more detail in paragraphs 23 to 34 of the present chapter.

10. Figure IV.III shows the income of UNEP for the biennium ended 31 December 2009 by type of support. It is to be noted that the UNEP Executive Director directly controls 56 per cent of the income.

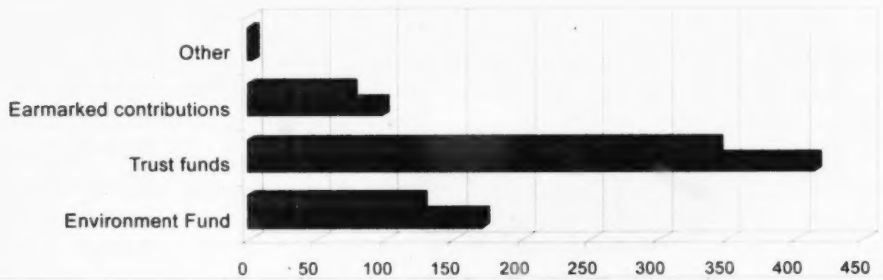
Figure IV.III
UNEP income by type of support
(Millions of United States dollars and percentage)



11. In comparison with the biennium ended 31 December 2007, expenditure for the biennium ended 31 December 2009 increased by $140.9 million (26.0 per cent) to $682.7 million.

12. Figure IV.IV sets out a comparison of expenditure by source of funding between the bienniums ended 31 December 2009 and 31 December 2007.

Figure IV.IV
UNEP expenditure by source of funding
(Millions of United States dollars)



	Environment Fund	Trust funds	Earmarked contributions	Other
2007	124.9	341.5	73.3	2.1
2009	170.7	412.4	97.6	2.0

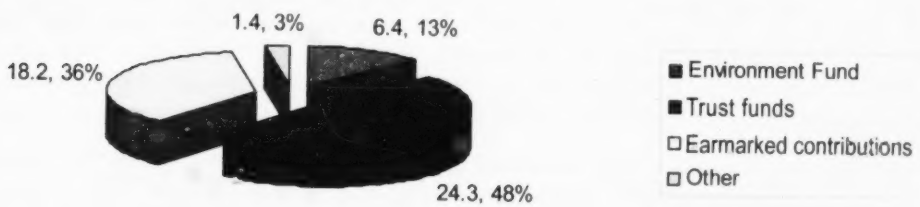
13. Figure IV.V shows expenditure for the biennium ended 31 December 2009 by category.

Figure IV.V
UNEP expenditure
(Millions of United States dollars and percentage)

14. For the biennium ended 31 December 2009, there was a surplus before adjustments of $50.3 million as compared with $36.8 million for the biennium ended 31 December 2007, a 36.7 per cent increase.

15. Figure IV.VI provides a breakdown of the excess (shortfall) of income over expenditure before adjustments for the biennium ended 31 December 2009 by major categories.

Figure IV.VI
UNEP excess (shortfall) of income over expenditure before adjustments
(Millions of United States dollars and percentage)



16. Contributions to technical cooperation trust funds, earmarked contributions and Professional Officer trust funds are accounted for when received in cash. Expenditure may be committed only once funds are available.

17. The cash position, including the cash pool as at 31 December 2009, had increased from 2007 by $84.8 million (29.2 per cent) to $375.3 million.

18. Compared with the biennium ended 31 December 2007, total assets had increased by $58.8 million (13.3 per cent) to $502.6 million. These assets include end-of-service and post-retirement benefits of $14.9 million.

19. Compared with the biennium ended 31 December 2007, total liabilities had increased by $8.1 million (3.9 per cent) to $214.5 million. The liabilities include end-of-service and post-retirement benefits of $58.1 million.

20. Compared with the biennium ended 31 December 2007, total reserves and fund balances as at 31 December 2009 had increased by $50.8 million (21.4 per cent) to $288.2 million.

End-of-service and post-retirement accrued liabilities

21. With effect from 31 December 2007, UNEP fully accrues for end-of-service and post-retirement benefits, comprising after-service health insurance liabilities, unused vacation days and repatriation benefits. It is to be noted that since July 2002, UNEP has made provisions for repatriation benefits at 8 per cent of net salary.

22. The accrued balances as at 31 December 2009 have been adjusted to reflect the current liabilities as at 31 December 2009 as reflected in the 2009 actuarial study carried out by a consulting firm engaged by the United Nations Secretariat on behalf of UNEP. By fully charging these liabilities in the financial statements as at 31 December 2009, an amount of $43.2 million of unfunded expenditure is being shown under the line "total reserves and fund balances" in statements I and II. Details are disclosed in statement VIII and note 12 of the notes to the financial statements. It should be noted that this figure is lower than that of as at 31 December 2007 ($51.7 million) because of changes in the valuation methods for these liabilities.

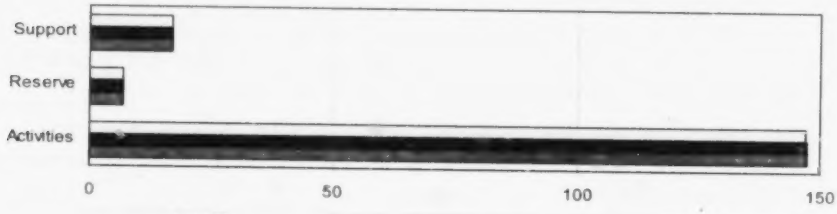
Environment Fund

23. The Governing Council, by its decision 24/9 of 9 February 2007, approved an appropriation of funding resources for the biennium of $130 million for Fund programme activities, $6 million for Fund programme reserve activities and $16 million for the Environment Fund support budget. The total approved programme budget for the biennium 2008-2009 was $152 million. This was revised to $171.0 million by the Governing Council in its decision 25/15, passed during their session of 16 to 20 February 2009. See figure IV.VII below.

Figure IV.VII
UNEP Environment Fund appropriations
(Million of United States dollars and percentage)

24. Figure IV.VIII shows the allocations and expenditure for the biennium ended 31 December 2009.

Figure IV.VIII
Environment Fund: appropriations, allocations and expenditure
(Millions of United States dollars)



	Activities	Reserve	Support
Expenditure	147.1	6.8	16.8
Allocations	147.2	6.9	16.9
Appropriations	147.2	6.9	16.9

25. The Executive Director fully allocated the revised appropriations for implementation during the biennium.

26. Total income for the biennium ended 31 December 2009 increased by $40.9 million (30.0 per cent) to $177.1 million in comparison with the biennium ended 31 December 2007.

27. Compared with the biennium ended 31 December 2007, expenditure for the biennium ended 31 December 2009 increased by $45.8 million (36.7 per cent) to $170.7 million.

28. Figure IV.IX shows the Environment Fund expenditure for the biennium ended 31 December 2009 by category.

Figure IV.IX
Environment Fund expenditure by category
(Millions of United States dollars)

29. The programme and programme reserve budgets expenditure for the biennium ended 31 December 2009 totalled $153.9 million compared with $111.5 million for the biennium ended 31 December 2007, an increase of 38.0 per cent.

30. Compared with the biennium ended 31 December 2007, the support budget expenditure for the biennium ended 31 December 2009 increased by $3.4 million (25.7 per cent) to $16.8 million.

31. The Environment Fund had a surplus of $6.4 million, before adjustments, for the biennium ended 31 December 2009, compared with $11.3 million for the biennium ended 31 December 2007.

32. The cash position, including the cash pool, decreased by $14.3 million (28.0 per cent) to $37.0 million as at 31 December 2009, as compared with 31 December 2007.

33. The cumulative fund balance and financial reserve as at 31 December 2009 increased by $6.5 million (24.6 per cent) to $32.9 million in comparison with 2007.

34. There was an increase of $46.8 million (36.6 per cent) in contributions to $174.6 million during the biennium compared with the biennium ended 31 December 2007.

Chapter V

Financial statements for the biennium ended 31 December 2009

Statement I
United Nations Environment Programme — all funds summary

Statement of income and expenditure and changes in reserves and fund balances for the biennium ended 31 December 2009

(Thousands of United States dollars)

	Environment Fund	*General trust funds*	*Technical cooperation trust funds*	*Professional Officers trust funds*	*Earmarked contributions*	*Other*	*Special Account for Programme Support Costs*	*End-of-service and post-retirement benefits*	*All funds eliminations*	*Total all funds*	
										2009	*2007*
Income											
Voluntary contributions	174 632	174 624	241 638	9 587	113 020	948	—	—	—	714 449	545 768
Income from services rendered	—	—	—	—	—	—	31 845	—	(31 193)	652	663
Interest income	2 181	3 448	4 690	230	1 788	8	560	—	—	12 905	21 702
Sale of publications		—	—	—	—	164	—	—	—	164	233
Miscellaneous income (note 3)	284	1 210	1 204	6	1 056	16	1 841		(762)	4 855	10 284
Total income	**177 097**	**179 282**	**247 532**	**9 823**	**115 864**	**1 136**	**34 246**	**—**	**(31 955)**	**733 025**	**578 650**
Expenditure											
Staff and other personnel costs	104 566	78 422	63 272	6 589	28 905	126	23 289	—	—	305 169	247 188
Contractual services	29 183	35 274	105 701	—	36 807	218	7 607	—	—	214 790	162 110
Travel	11 377	7 693	11 228	155	5 818	14	380	—	(762)	35 903	28 639
Operating expenses	15 977	26 448	39 662	2	20 729	299	699	—	—	103 816	81 938
Acquisitions	9 611	4 703	6 268	—	1 266	917	280	—	—	23 045	21 972
Programme support costs	—	18 242	7 906	807	4 122	116	—	—	(31 193)	—	—
Total expenditure	**170 714**	**170 782**	**234 037**	**7 553**	**97 647**	**1 690**	**32 255**	**—**	**(31 955)**	**682 723**	**541 847**
Excess/(shortfall) of income over expenditure	6 383	8 500	13 495	2 270	18 217	(554)	1 991	—	—	50 302	36 803
Non-budgeted accrued expenses	—	—	—	—	—	—	—	3 951	—	3 951	(40 563)
Prior-period adjustments (note 4)	5	(2 594)	(1 685)	—	352	1	86	—	—	(3 835)	(1 770)
Net excess/(shortfall) of income over expenditure	6 388	5 906	11 810	2 270	18 569	(553)	2 077	3 951	—	50 418	(5 530)
Savings on or cancellation of prior-periods' obligations	114	—	—	—	16	16	766	—	—	912	318

	Environment Fund	*General trust funds*	*Technical cooperation trust funds*	*Professional Officers trust funds*	*Earmarked contributions*	*Other*	*Special Account for Programme Support Costs*	*End-of-service and post-retirement benefits*	*All funds eliminations*	*Total all funds*	
										2009	*2007*
Transfer from/(to) reserves	(5 000)	(1 635)	—	—	—	—	(2 000)	815	—	(7 820)	(7 695)
Transfer from/(to) other funds	—	108	—	(262)	154	—	—	—	—	—	—
Refunds to donors	—	(293)	(551)	—	(1 258)	—	—	—	—	(2 102)	(1 761)
Fund balances, beginning of period	**11 416**	**75 056**	**134 929**	**4 547**	**30 965**	**227**	**6 488**	**(51 696)**	**—**	**211 932**	**226 600**
Fund balances, end of period	**12 918**	**79 142**	**146 188**	**6 555**	**48 446**	**(310)**	**7 331**	**(46 930)**	**—**	**253 340**	**211 932**
Reserves, beginning of period	15 000	5 006	—	—	—	—	2 500	2 970	—	25 476	14 806
Transfers to reserves	5 000	1 635	—	—	—	—	2 000	733	—	9 368	10 670
Reserves, end of period	**20 000**	**6 641**	**—**	**—**	**—**	**—**	**4 500**	**3 703**	**—**	**34 844**	**25 476**
Total reserves and fund balances	**32 918**	**85 783**	**146 188**	**6 555**	**48 446**	**(310)**	**11 831**	**(43 227)**	**—**	**288 184**	**237 408**

Statement II
United Nations Environment Programme — all funds summary

Statement of assets, liabilities, reserves and fund balances as at 31 December 2009

(Thousands of United States dollars)

	Environment Fund	*General trust funds*	*Technical cooperation trust funds*	*Professional Officers trust funds*	*Earmarked contributions*	*Other*	*Special Account for Programme Support Costs*	*End-of-service and post-retirement benefits*	*All funds eliminations*	*Total all funds*	
										2009	*2007*
Assets											
Cash and term deposits (note 5)	2 300	4 446	—	—	—	40	—	—	—	6 786	35 032
Cash pools (note 5)	34 687	101 167	157 001	6 522	53 166	224	15 793	—	—	368 560	255 514
Voluntary contributions receivable	5 672	15 314	—	—	—	—	—	—	—	20 986	20 801
Inter-fund balances (note 7)	6 199	2 658	2 595	605	8 176	130	—	14 917	—	35 280	52 976
Other receivables (notes 6 and 8)	6 956	10 061	37 190	28	12 462	28	157	—	—	66 882	76 564
Other assets (note 9)	3 575	156	254	17	58	—	88	—	—	4 148	2 923
Total assets	**59 389**	**133 802**	**197 040**	**7 172**	**73 862**	**422**	**16 038**	**14 917**	**—**	**502 642**	**443 810**
Liabilities											
Payments or contributions received in advance	152	5 888	—	—	—	—	—	—	—	6 040	17 629
Unliquidated obligations	21 672	18 686	30 591	51	16 440	74	2 667	—	—	90 181	46 153
Inter-fund balances (note 7)	—	20 176	12 254	534	2 491	654	473	—	—	36 582	54 031
Accounts payable (note 10)	4 574	3 269	8 007	32	6 485	4	1 067	—	—	23 438	26 928
End-of-service and post-retirement benefits (note 12)	—	—	—	—	—	—	—	58 144	—	58 144	59 367
Other liabilities	73	—	—	—	—	—	—	—	—	73	2 294
Total liabilities	**26 471**	**48 019**	**50 852**	**617**	**25 416**	**732**	**4 207**	**58 144**	**—**	**214 458**	**206 402**
Reserves and fund balances											
Financial and other reserves (note 11)	20 000	6 641	—	—	—	—	4 500	3 703	—	34 844	25 476
Fund balance	12 918	79 142	146 188	6 555	48 446	(310)	7 331	(46 930)	—	253 340	211 932
Total reserves and fund balances	**32 918**	**85 783**	**146 188**	**6 555**	**48 446**	**(310)**	**11 831**	**(43 227)**	**—**	**288 184**	**237 408**
Total liabilities, reserves and fund balances	**59 389**	**133 802**	**197 040**	**7 172**	**73 862**	**422**	**16 038**	**14 917**	**—**	**502 642**	**443 810**

Statement III
United Nations Environment Programme — all funds summary

Statement of cash flows for the biennium ended 31 December 2009

(Thousands of United States dollars)

	Environment Fund	*General trust funds*	*Technical cooperation trust funds*	*Professional Officers trust funds*	*Earmarked contributions*	*Other*	*Special Account for Programme Support Costs*	*End-of-service and post-retirement benefits*	*All funds eliminations*	*Total all funds* 2009	*Total all funds* 2007
Cash flows from operating activities											
Net excess/(shortfall) of income over expenditure	6 388	5 906	11 810	2 270	18 569	(553)	2 077	3 951	—	50 418	(5 530)
(Increase)/decrease in:											
Contributions receivable	(3 405)	3 221	—	—	1	—	—	—	—	(183)	(1 444)
Other accounts receivable	(3 100)	1 781	13 124	(5)	(2 020)	22	(120)	—	—	9 682	(296)
Other assets	(3 005)	465	14	(7)	664	(25)	644	—	—	(1 250)	(1 242)
Inter-fund balances receivable	(11 064)	8 234	22 606	(422)	(4 826)	50	2 541	(4 276)	—	12 843	(8 822)
Increase/(decrease) in:											
Payments or contributions received in advance	(11 736)	302	—	—	(153)	—	—	—	—	(11 587)	9 982
Unliquidated obligations	12 763	7 328	15 769	10	6 332	1	1 831	—	—	44 034	(892)
Other accounts payable	933	(1 346)	(1 468)	7	(409)	4	(1 202)	—	—	(3 481)	(3 615)
Other liabilities	(2 221)	—	—	—	—	—	—	—	—	(2 221)	1 896
Inter-fund balances payable	—	(8 251)	1 026	(59)	(6 227)	452	473	—	—	(12 586)	12 367
End-of-service and post-retirement benefits	—	—	—	—	—	—	—	(1 223)	—	(1 223)	41 904
Less: interest income	(2 181)	(3 448)	(4 690)	(230)	(1 788)	(8)	(560)	—	—	(12 905)	(21 702)
Net cash from operating activities	**(16 628)**	**14 192**	**58 191**	**1 564**	**10 143**	**(57)**	**5 684**	**(1 548)**	**—**	**71 541**	**22 606**
Cash flows from investing activities											
(Increase)/decrease in cash pool	(250)	(31 117)	(62 330)	(1 532)	(10 845)	35	(7 010)	—	—	(113 049)	(27 418)
Plus: interest income	2 181	3 448	4 690	230	1 788	8	560	—	—	12 905	21 702
Net cash flow from investing activities	**1 931**	**(27 669)**	**(57 640)**	**(1 302)**	**(9 057)**	**43**	**(6 450)**	**—**	**—**	**(100 144)**	**(5 716)**

	Environment Fund	*General trust funds*	*Technical cooperation trust funds*	*Professional Officers trust funds*	*Earmarked contributions*	*Other*	*Special Account for Programme Support Costs*	*End-of-service and post-retirement benefits*	*All funds eliminations*	*Total all funds*	
										2009	*2007*
Cash flows from financing activities											
Savings on or cancellation of prior periods' obligations	114	—	—	—	16	16	766	—	—	912	318
Transfer from/(to) other funds	—	108	—	(262)	154	—	—	—	—	—	—
Refunds to donors	—	(293)	(551)	—	(1 258)	—	—	—	—	(2 102)	(1 761)
Transfers from/(to) reserves	—	—	—	—	—	—	—	1 548		1 548	2 973
Net cash flow from financing activities	**114**	**(185)**	**(551)**	**(262)**	**(1 088)**	**16**	**766**	**1 548**	**—**	**358**	**1 530**
Net increase/(decrease) in cash and term deposits	(14 583)	(13 662)	—	—	(2)	2	—	—	—	(28 245)	18 420
Cash and term deposits, beginning of period	16 883	18 108	—	—	2	38	—	—	—	35 031	16 612
Cash and term deposits, end of period	**2 300**	**4 446**	**—**	**—**	**—**	**40**	**—**	**—**	**—**	**6 786**	**35 032**

Statement IV
Environment Fund

Statement of income and expenditure and changes in reserves and fund balances for the biennium ended 31 December 2009

(Thousands of United States dollars)

	Reference	2009	2007
Income			
Voluntary contributions	Schedule 4.1	174 632	127 850
Interest income		2 181	5 710
Miscellaneous income	Note 3	284	2 647
Total income		**177 097**	**136 207**
Expenditure			
Staff and other personnel costs		104 566	80 470
Contractual services		29 183	15 520
Travel		11 377	8 394
Operating expenses		15 977	13 375
Acquisitions		9 611	7 111
Total expenditure		**170 714**	**124 870**
Excess/(shortfall) of income over expenditure		6 383	11 337
Prior period adjustments	Note 4	5	(138)
Net excess of income over expenditure		**6 388**	**11 199**
Savings on or cancellation of prior-period obligations		114	131
Transfer from other funds		—	19
Transfer to financial reserve		(5 000)	(5 000)
Fund balances, beginning of period		11 416	5 067
Fund balances, end of period		**12 918**	**11 416**
Financial reserve, beginning of period		15 000	10 000
Transfer from operating reserve		5 000	5 000
Financial reserve, end of period		**20 000**	**15 000**
Total reserves and fund balances		**32 918**	**26 416**

Statement of assets, liabilities, reserves and fund balances for the biennium ended 31 December 2009

		2009	*2007*
Assets			
Cash and term deposits	Note 5	2 300	16 883
Cash pools	Note 5	34 687	34 437
Accounts receivable:			
Voluntary contributions receivable	Schedule 4.1	5 672	2 267
Inter-fund balances	Note 7	6 199	—
Other	Notes 6 and 8	6 956	3 856
Other assets	Note 9	3 575	570
Total assets		**59 389**	**58 013**
Liabilities			
Payments or contributions received in advance	Schedule 4.1	152	11 888
Unliquidated obligations	Statement V	21 672	8 910
Accounts payable:			
Inter-fund balances	Note 7	—	4 860
Other	Note 10	4 574	3 645
Other liabilities		73	2 294
Total liabilities		**26 471**	**31 597**
Reserves and fund balances			
Financial Reserve		20 000	15 000
Fund balance		12 918	11 416
Total reserves and fund balances		**32 918**	**26 416**
Total liabilities, reserves and fund balances		**59 389**	**58 013**

Schedule 4.1
Environment Fund

Status of contributions for the biennium ended 31 December 2009

(United States dollars)

Countries/organizations	*Unpaid pledges as at 1 January 2008*	*Adjustments to prior bienniums*	*Pledges for 2008-2009*	*Revaluations*	*Net pledges for 2008-2009*	*Collections for future years*	*Collections for 2008-2009 and prior years*	*Unpaid pledges*
Albania	—	1 400	1 400	—	1 400	—	2 800	—
Algeria	—	—	20 000	—	20 000	10 000	20 000	—
Andorra	—	—	81 914	—	81 914	—	81 914	—
Angola	—	—	2 400	—	2 400	—	2 400	—
Armenia	—	—	2 600	—	2 600	—	2 600	—
Australia	—	—	1 361 134	—	1 361 134	—	1 361 134	—
Austria	—	—	1 108 880	—	1 108 880	—	1 108 880	—
Azerbaijan	1 800	—	—	—	—	—	—	1 800
Bahamas	—	—	2 500	—	2 500	—	2 500	—
Bangladesh	2 550	—	1 145	—	1 145	—	3 121	574
Barbados	—	—	5 000	—	5 000	—	5 000	—
Belarus	—	—	25 000	—	25 000	—	25 000	—
Belize	—	—	760	—	760	—	760	—
Belgium	—	96 294	6 335 092	—	6 335 092	—	5 573 392	857 994
Benin	4 998	—	—	—	—	—	—	4 998
Bhutan	1 450	—	1 450	—	1 450	1 450	2 900	—
Burkina Faso	1 000	1 000	11 913	—	11 913	—	13 913	—
Botswana	—	—	6 000	—	6 000	—	6 000	—
Brazil	—	—	451 459	—	451 459	—	451 459	—
Bulgaria	—	—	7 200	—	7 200	—	7 200	—
Cameroon	5 746	—	—	—	—	—	—	5 746
Canada	2 025 000	—	4 800 000	—	4 800 000	—	6 825 000	—
Cambodia	—	—	2 000	—	2 000	—	2 000	—
Cape Verde	1 200	(600)	—	—	—	—	—	600
Chile	—	—	40 000	—	40 000	—	40 000	—
China	—	—	500 000	—	500 000	—	500 000	—

Countries/organizations	*Unpaid pledges as at 1 January 2008*	*Adjustments to prior bienniums*	*Pledges for 2008-2009*	*Revaluations*	*Net pledges for 2008-2009*	*Collections for future years*	*Collections for 2008-2009 and prior years*	*Unpaid pledges*
Colombia	—	—	61 288	—	61 288	—	61 288	—
Comoros	—	700	1 520	—	1 520	—	2 220	—
Costa Rica	—	(1 200)	20 000	—	20 000	14 054	18 800	—
Cote d'Ivoire	3 600	—	—	—	—	—	—	3 600
Croatia	—	—	66 000	—	66 000	—	66 000	—
Cuba	6 000	(6 000)	6 000	—	6 000	—	6 000	—
Cyprus	—	—	67 000	—	67 000	—	67 000	—
Czech Republic	—	—	499 171	—	499 171	—	499 171	—
Denmark	—	—	7 133 333	—	7 133 333	—	7 133 333	—
Ecuador	—	—	6 400	—	6 400	—	6 400	—
Egypt	—	—	20 000	—	20 000	—	—	20 000
El Salvador	—	—	6 400	—	6 400	—	—	6 400
Eritrea	—	—	900	—	900	—	900	—
Ethiopia	—	1 000	2 000	—	2 000	1 000	3 000	—
Fiji	—	—	8 980	—	8 980	—	8 980	—
Finland	—	—	9 415 650	—	9 415 650	—	9 415 650	—
France	—	—	10 200 000	—	10 200 000	—	10 200 000	—
Gambia	1 000	—	—	—	—	—	—	1 000
Germany	—	—	16 358 489	—	16 358 489	—	16 358 489	—
Greece	—	—	500 000	—	500 000	—	500 000	—
Grenada	—	—	760	—	760	—	760	—
Guatemala	—	—	4 900	—	4 900	—	4 900	—
Guinea-Bissau	1 400	—	—	—	—	—	—	1 400
Guyana	—	—	96 875	—	96 875	—	96 875	—
Honduras	24	—	1 000	—	1 000	—	1 000	24
Hungary	—	—	200 000	—	200 000	—	148 000	52 000
Iceland	—	—	27 000	—	27 000	—	27 000	—
India	100 000	—	201 164	—	201 164	1 122	251 129	50 035
Indonesia	—	—	60 000	—	60 000	—	60 000	—
Iran	35 000	—	48 011	—	48 011	—	82 748	263
Iraq		—	2 300	—	2 300	—	2 300	—

Countries/organizations	*Unpaid pledges as at 1 January 2008*	*Adjustments to prior bienniums*	*Pledges for 2008-2009*	*Revaluations*	*Net pledges for 2008-2009*	*Collections for future years*	*Collections for 2008-2009 and prior years*	*Unpaid pledges*
Ireland	—	—	863 350	—	863 350	—	863 350	—
Israel	—	—	20 000	—	20 000	—	—	20 000
Italy	—	—	15 961 003	—	15 961 003	—	11 632 000	4 329 003
Jamaica	3 596	—	3 080	—	3 080	—	2 905	3 771
Japan	—	—	5 927 614	—	5 927 614	—	5 927 614	—
Kenya	—	—	60 000	—	60 000	—	60 000	—
Kyrgyzstan	—	—	2 440	—	2 440	—	2 440	—
Republic of Korea	—	—	393 041	—	393 041	—	393 041	—
Kuwait	—	—	400 000	—	400 000	—	200 000	200 000
Lao People's Democratic Republic	—	2 000	4 000	—	4 000	—	6 000	—
Latvia	—	—	27 000	—	27 000	—	13 500	13 500
Lebanon	—	6 000	6 000	—	6 000	—	6 000	6 000
Liechtenstein	—	—	15 200	—	15 200	—	15 200	—
Lithuania	—	—	28 000	—	28 000	—	28 000	—
Luxembourg	—	—	1 769 029	—	1 769 029	—	1 769 029	—
Madagascar	1 000	—	2 000	—	2 000	—	3 000	—
Malaysia	—	—	79 985	—	79 985	—	79 985	—
Mali	—	—	1 500	—	1 500	—	1 500	—
Malta	—	—	26 000	—	26 000	—	26 000	—
Mauritania	—	—	1 500	—	1 500	—	—	1 500
Mauritius	—	—	10 000	—	10 000	—	10 000	—
Mexico	—	—	700 000	—	700 000	—	700 000	—
Miscellaneous contributions to UNEP	—	—	12 090	—	12 090	—	12 090	—
Micronesia	—	—	600	—	600	—	600	—
Monaco	—	—	50 984	—	50 984	—	50 984	—
Mongolia	—	—	1 000	—	1 000	—	—	1 000
Morocco	12 000	—	—	—	—	—	—	12 000
Mozambique	—	—	1 520	—	1 520	—	1 520	—
Myanmar	—	1 840	—	—	—	—	1 840	—

Countries/organizations	*Unpaid pledges as at 1 January 2008*	*Adjustments to prior bienniums*	*Pledges for 2008-2009*	*Revaluations*	*Net pledges for 2008-2009*	*Collections for future years*	*Collections for 2008-2009 and prior years*	*Unpaid pledges*
Namibia	—	—	1 500	—	1 500	—	1 500	—
Netherlands	—	—	25 263 000	—	25 263 000	—	25 263 000	—
New Zealand	—	—	390 000	—	390 000	—	390 000	—
Niger	600	700	1 520	—	1 520	814	2 548	272
Nigeria	—	—	40 000	—	40 000	—	—	40 000
Norway	—	—	5 886 740	—	5 886 740	—	5 886 740	—
Oman	10 000	—	20 000	—	20 000	—	30 000	—
Pakistan	—	—	19 876	—	19 876	—	19 876	—
Panama	—	—	20 000	—	20 000	10 000	20 000	—
Philippines	—	5 000	11 783	—	11 783	—	16 783	—
Poland	—	—	300 000	—	300 000	—	300 000	—
Portugal	—	—	100 000	—	100 000	—	100 000	—
Regional Office for North America	—	—	1 344	—	1 344	—	1 344	—
Republic of Moldova	2 900	—	900	—	900	1 800	900	2 900
Republic of Montenegro	—	—	2 000	—	2 000	—	—	2 000
Romania	32 000	—	104 000	—	104 000	—	136 000	—
Russian Federation	—	—	1 000 000	—	1 000 000	—	1 000 000	—
Saudi Arabia	—	—	132 853	—	132 853	—	132 747	106
Serbia	10 000	—	20 000	—	20 000	—	—	30 000
Senegal	—	—	4 000	—	4 000	1 000	4 000	—
Seychelles	—	—	2 400	—	2 400	—	2 400	—
Singapore	—	15 000	30 000	—	30 000	—	45 000	—
Slovakia	—	—	92 000	—	92 000	—	92 000	—
Slovenia	—	—	144 000	—	144 000	86 000	144 000	—
South Africa	—	—	108 000	—	108 000	—	108 000	—
Spain	—	—	9 416 688	—	9 416 688	—	9 416 688	—
Sri Lanka	—	—	1 698	—	1 698	—	1 698	—
Suriname	1 900	—	760	—	760	—	1 460	1 200
Swaziland	—	—	10 000	—	10 000	—	10 000	—
Sweden	—	—	8 023 663	—	8 023 663	—	8 023 663	—

Countries/organizations	*Unpaid pledges as at 1 January 2008*	*Adjustments to prior bienniums*	*Pledges for 2008-2009*	*Revaluations*	*Net pledges for 2008-2009*	*Collections for future years*	*Collections for 2008-2009 and prior years*	*Unpaid pledges*
Solomon Islands	—	—	760	—	760	—	760	—
Switzerland	—	—	7 630 615	—	7 630 615	—	7 630 615	—
Syrian Arab Republic	—	—	7 000	—	7 000	—	7 000	—
Tajikistan	—	—	1 810	—	1 810	—	1 810	—
Thailand	—	—	47 164	—	47 164	23 046	47 164	—
Trinidad and Tobago	—	—	10 000	—	10 000	—	10 000	—
Tunisia	—	—	15 000	—	15 000	—	15 000	—
Turkey	—	—	500 000	—	500 000	—	500 000	—
Turkmenistan	1 000	—	1 500	—	1 500	—	1 500	1 000
Tuvalu	600	—	—	—	—	—	—	600
Uganda	—	4 250	3 450	—	3 450	1 850	7 700	—
United Kingdom of Great Britain and Northern Ireland	—	—	17 436 300	—	17 436 300	—	17 436 300	—
United States of America	—	—	11 625 050	—	11 625 050	—	11 625 050	—
Uruguay	—	20 000	10 000	—	10 000	—	30 000	—
Vanuatu	600	—	—	—	—	—	—	600
Venezuela (Bolivarian Republic of)	—	—	40 000	—	40 000	—	40 000	—
Western Samoa	—	—	760	—	760	—	760	—
Zambia	—	—	4 166	—	4 166	—	4 166	—
Total	**2 266 964**	**147 384**	**174 632 224**	**—**	**174 632 224**	**152 136**	**171 374 686**	**5 671 886**
					Statement IV			**Statement IV**

Ageing of unpaid pledges as at 31 December 2009

0-6 months	*7-12 months*	*13-24 months*	*More than 24 months*	*Total*
5 572 269	51 080	106	48 431	5 671 886

Statement V
Environment Fund

Summary of appropriations, allocations issued, expenditure incurred and unexpended balance of appropriations and allocations for the biennium ended 31 December 2009

(Thousands of United States dollars)

	Final appropriation	*Allocations issued*	*Expenditure*	*Unexpended appropriations (1–3)*	*Unexpended allocations (2–3)*
	1	*2*	*3*	*4*	*5*
Fund programme activities					
Environmental assessment and early warning	27 450	27 450	27 445	5	5
Environmental policy implementation	21 382	21 382	21 347	35	35
Technology, industry and economics	31 774	31 774	31 764	10	10
Regional cooperation and representation	40 719	40 719	40 712	7	7
Environmental law and conventions	15 339	15 339	15 338	1	1
Communications and public information	10 536	10 536	10 534	2	2
Subtotal, Fund programme activities	**147 200**	**147 200**	**147 140**	**60**	**60**
Fund programme reserve activities	6 900	6 900	6 788	112	112
Subtotal	**154 100**	**154 100**	**153 928**	**172**	**172**
Support budget					
Staff and other personnel costs	7 439	8 306	8 490	(1 051)	(184)
Contractual services	5 757	3 465	3 124	2 633	341
Travel	1 435	1 779	1 726	(291)	53
Operating expenses	2 094	2 157	2 264	(170)	(107)
Acquisitions	175	1 193	1 182	(1 007)	11
Subtotal, Support budget	**16 900**	**16 900**	**16 786**	**114**	**114**
Total Environment Fund	**171 000**	**171 000**	**170 714**	**286**	**286**

Expenditure includes		
Unliquidated obligations		
Fund programme activities		21 869
Fund programme reserve activities		2 600
Support budget		770
Current year		25 239
Future year commitments		(3 567)
Total		**21 672**
		Statement IV

Statement VI
Special Account for Programme Support Costs

Statement of income and expenditure and changes in reserves and fund balances for the biennium ended 31 December 2009

(Thousands of United States dollars)

	Reference	2009	2007
Income			
Income for services rendered:			
General trust funds		18 242	15 407
Technical cooperation trust funds		7 906	5 140
Professional Officers programme		807	659
Earmarked contributions		4 122	2 729
Other funds		116	—
Multilateral Fund	Statement IX	652	664
Interest income		560	321
Miscellaneous income	Note 3	1 841	1 497
Total income		**34 246**	**26 417**
Expenditure			
Staff and other personnel costs		23 289	13 811
Contractual services		7 607	10 522
Travel		380	648
Operating expenses		699	218
Acquisitions		280	66
Total expenditure		**32 255**	**25 265**
Excess of income over expenditure		1 991	1 152
Prior-period adjustments	Note 4	86	(615)
Net excess of income over expenditure		**2 077**	**537**
Savings on or cancellation of prior-period obligations		766	69
Transfer to other funds		—	(418)
Transfer to operating reserve		(2 000)	(500)
Fund balances, beginning of period		6 488	6 800
Fund balances, end of period		**7 331**	**6 488**
Operating reserve — beginning of period		2 500	2 000
Transfer to operating reserve		2 000	500
Operating reserve — end of period		**4 500**	**2 500**
Reserves and fund balances — end of period		**11 831**	**8 988**

Statement of assets, liabilities, reserves and fund balances for the biennium ended 31 December 2009

		2009	*2007*
Assets			
Cash pool	Note 5	15 793	8 784
Inter-fund balances	Note 7	—	2 541
Accounts receivable	Note 8	157	37
Other assets	Note 9	88	732
Total assets		**16 038**	**12 094**
Liabilities			
Unliquidated obligations		2 667	836
Inter-fund balances	Note 7	473	—
Accounts payable	Note 10	1 067	2 270
Total liabilities		**4 207**	**3 106**
Reserves and fund balances			
Operating reserve		4 500	2 500
Fund balance		7 331	6 488
Total reserves and fund balances		**11 831**	**8 988**
Total liabilities, reserves and fund balances		**16 038**	**12 094**

Statement VII
Trust funds

Income, expenditure and changes in reserves and fund balances for the biennium ended 31 December 2009

(Thousands of United States dollars)

	Opening fund balance, 1 January 2008	*Income*	*Expenditure*	*Adjustments/ transfers*	*Closing fund balance, 31 December 2009*
Summary by type of support					
Direct support to UNEP programme of work					
General trust funds	22 729	45 369	(36 844)	(1 185)	30 069
Technical trust funds — general	38 066	87 734	(71 581)	(1 894)	52 325
Technical trust funds — personnel	4 547	9 823	(7 553)	(262)	6 555
Earmarked contributions	24 039	90 417	(81 435)	(1 031)	31 990
Total direct support to UNEP programme of work	**89 381**	**233 343**	**(197 413)**	**(4 372)**	**120 939**
Conventions/protocols/regional seas programmes					
General trust funds	52 327	133 913	(133 938)	(3 229)	49 073
Technical trust funds — general	22 437	37 664	(38 304)	(114)	21 683
Earmarked contributions	5 843	23 101	(15 719)	296	13 521
Total conventions/protocols/regional seas programmes	**80 607**	**194 678**	**(187 961)**	**(3 047)**	**84 277**
Supporting the Global Environment Facility					
Special accounts and trust funds	74 426	122 134	(124 152)	(228)	72 180
Earmarked contributions	1 083	2 346	(493)	(1)	2 935
Total supporting the Global Environment Facility	**75 509**	**124 480**	**(124 645)**	**(229)**	**75 115**
Grand total trust funds	**245 497**	**552 501**	**(510 019)**	**(7 648)**	**280 331**
Summary by type of trust fund					
General trust funds					
Direct support to UNEP programme of work	22 729	45 369	(36 844)	(1 185)	30 069
Conventions/protocols/regional seas programmes	52 327	133 913	(133 938)	(3 229)	49 073
Total General Trust Funds	**75 056**	**179 282**	**(170 782)**	**(4 414)**	**79 142**
Technical Cooperation Trust Funds					
Direct support to UNEP programme of work	38 066	87 734	(71 581)	(1 894)	52 325
Conventions/protocols/regional seas programmes	22 437	37 664	(38 304)	(114)	21 683
Supporting the Global Environment Facility	74 426	122 134	(124 152)	(228)	72 180
Total Technical Cooperation Trust Funds	**134 929**	**247 532**	**(234 037)**	**(2 236)**	**146 188**

	Opening fund balance, 1 January 2008	*Income*	*Expenditure*	*Adjustments/ transfers*	*Closing fund balance, 31 December 2009*
Professional Officers trust funds					
Direct support to UNEP programme of work	4 547	9 823	(7 553)	(262)	6 555
Total Professional Officers trust funds	**4 547**	**9 823**	**(7 553)**	**(262)**	**6 555**
Earmarked contributions					
Direct support to UNEP programme of work	24 039	90 417	(81 435)	(1 031)	31 990
Conventions/protocols/regional seas programmes	5 843	23 101	(15 719)	296	13 521
Supporting the Global Environment Facility	1 083	2 346	(493)	(1)	2 935
Total earmarked contributions	**30 965**	**115 864**	**(97 647)**	**(736)**	**48 446**
Grand total trust funds	**245 497**	**552 501**	**(510 019)**	**(7 648)**	**280 331**

Schedule 7.1
Trust funds

Income, expenditure and changes in fund balances for the biennium ended 31 December 2009

(Thousands of United States dollars)

		Opening fund balance, 1 January 2008	*Income*	*Expenditure*	*Adjustments/ transfers*	*Closing fund balance, 31 December 2009*
General Trust Funds directly supporting UNEP						
AEL	General Trust Fund for the Purpose of Post Conflict Environmental Assessment	1 594	19 698	(16 598)	(1)	4 693
AML	General Trust Fund for the African Ministerial Conference on the Environment (AMCEN)	5 448	355	(304)	(2 047)	3 452
BKL	General Trust Fund for the Clean-up of Hotspots following the Kosovo Conflicts and Preparation of Guidelines on Assessment and Remedial Measures for Post-conflict Environmental Damages	584	—	(582)	(2)	—
BLL	General Trust Fund in Support of the UNEP/Habitat Balkans Task Force on Environment and Human Settlements	224	5	(107)	(97)	25
CWL	General Trust Fund for the African Ministers' council on water (AMCOW)	544	1 348	(998)	—	894
DUL	General Trust Fund to Support the Activities of the Dams and Development Unit to coordinate follow up to the World Commission on Dams	61	4	21	13	99
EBL	General Trust fund for Implementing National Biodiversity Strategies and Action Plans	234	12	—	1	247
EEL	General Trust Fund for Environmental Emergencies	7	—	—	1	8
EGL	General Trust Fund to establish a Secretariat to the Environment Management Group in the International Environment House, Geneva.	2	—	(2)	—	—
ETL	Trust Fund for the Environmental Training Network in Latin America and the Caribbean	83	141	(55)	(2)	167
FIL	General Trust Fund to Support the Activities of the UNEP Financial Services Initiative on the Environment	313	3 785	(3 664)	(13)	421
GPL	General Trust Fund in Support of the Implementation of the Global Programme of Action for the Protection of the Marine Environment from Land-based Activities (GPA) and Related Information Exchange and Technical Assistance	1 955	738	(1 182)	(1)	1 510
IGL	GTF Activities of the Open-Ended Group of Ministers on International Environment Governance	(50)	—	—	—	(50)
MCL	General Trust Fund in Support of the Preparation of a Global Assessment of Mercury and its Compounds	1 535	5 842	(3 651)	(53)	3 673

		Opening fund balance, 1 January 2008	*Income*	*Expenditure*	*Adjustments/ transfers*	*Closing fund balance, 31 December 2009*
POL	General Trust Fund in Support of the Preparation for and Negotiation of an Internationally Legally Binding Instrument for International Action on Persistent Organic Pollutants and Related Information Exchange and Technical Assistance Activities	1 050	98	(1 330)	(1)	(183)
PPL	General Trust Fund in Support of the Preparation and Negotiation of an International Legally Binding Instrument for the Application of the Prior Informed Consent Procedure for Certain Hazardous Chemicals in International Trade	733	37	(594)	(2)	174
RCL	General Trust Fund in Support of the Implementation of Governing Council Decisions in the North American Region	105	—	(104)	(1)	—
RPL	General Trust Fund to Support the Participation of Developing Countries in the Regular Process for Reporting and Assessment of the State of the Marine Environment	134	2	(124)	1	13
SML	General Trust Fund for The Strategic Approach to International Chemicals Management (SAICM) Quick Start Programme	8 168	12 195	(6 621)	507	14 249
SAL	UNEP Sasakawa Environment Prize	—	552	(481)	513	584
WPL	General Trust Fund to provide Support to the Global Environment Monitoring System/ Water Programme Office and to promote its Activities	5	557	(468)	(1)	93
Total directly supporting UNEP		**22 729**	**45 369**	**(36 844)**	**(1 185)**	**30 069**
Support/conventions/protocols/regional seas programmes						
AVL	General Trust Fund for voluntary contribution in respect of agreement on the conservation of African Eurasian migratory water birds (AEWA)	252	1 965	(1 629)	(1)	587
VBL	GTF for Voluntary contributions to facilitate the participation of indigenous and local communities in the work of the convention of Biological Diversity	202	873	(857)	(1)	217
AWL	General Trust Fund for the African—Eurasian Water birds Agreement	386	2 591	(2 290)	(73)	614
BAL	General Trust Fund for the Conservation of Small Cetaceans of the Baltics and North Seas (ASCOBANS)	20	506	(439)	(1)	86
BCL	Trust Fund for the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal	1 827	8 352	(7 462)	1	2 718

		Opening fund balance, 1 January 2008	*Income*	*Expenditure*	*Adjustments/ transfers*	*Closing fund balance, 31 December 2009*
BDL	Trust Fund to Assist Developing Countries and Other Countries in Need of Technical Assistance in the Implementation of the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal	3 535	4 470	(2 707)	(47)	5 251
BFL	General Trust Fund for Additional Voluntary Contributions in Support of Approved Activities under the Convention on Biological Diversity	3 823	11 905	(8 104)	—	7 624
BGL	General Trust Fund for the Core Programme Budget for the Biosafety Protocol	2 228	4 172	(4 297)	(42)	2 061
BHL	Special Voluntary Trust Fund for the additional Voluntary Contributions in Support of Approved Activities	300	1 363	(1 099)	1	565
BIL	Special Voluntary Trust Fund for Facilitating Participation of Developing Country parties, in particular the Least Developed and the Small Island Developing States amongst them, and Parties with Economies in Transition	281	364	(361)	(19)	265
BTL	General Trust Fund for the Conservation of European Bats (EUROBATS)	264	892	(799)	(83)	274
BVL	Trust Fund for the Establishment of the Interim Secretariat of the Biological Diversity Convention	418	—	—	(418)	—
BYL	General Trust Fund for the Convention on Biological Diversity	1 769	20 838	(21 291)	(131)	1 185
BZL	General Trust Fund for Voluntary Contributions to Facilitate the Participation of Parties in the Process of the Convention on Biological Diversity	1 425	2 456	(2 859)	—	1 022
CRL	Regional Trust Fund for the Implementation of the Action Plan for the Caribbean Environment Programme	3 648	2 623	(2 224)	(132)	3 915
CTL	Trust Fund for the Convention on International Trade in Endangered Species of Wild Fauna and Flora	2 386	10 298	(10 257)	(698)	1 729
EAL	Regional Seas Trust Fund for the Eastern African Region	3 638	316	(712)	(1)	3 241
ESL	Regional Trust Fund for the Implementation of the Action Plan for the Protection and Development of the Marine Environment and Coastal Areas of East Asian Seas	1 197	383	(1 178)	(1)	401
LAL	General Trust Fund in Support of the Lusaka Agreement Task Force on Cooperative Enforcement Operations Directed at Illegal Trade in Wild Fauna and Flora	2	—	—	—	2
MEL	Trust Fund for Protection of the Mediterranean Sea Against Pollution	1 216	15 822	(21 026)	(520)	(4 508)
MPL	Trust Fund for the Montreal Protocol on Substances that Deplete the Ozone Layer	8 028	8 889	(9 159)	(337)	7 421

		Opening fund balance, 1 January 2008	*Income*	*Expenditure*	*Adjustments/ transfers*	*Closing fund balance, 31 December 2009*
MSL	Trust Fund for the Convention on Conservation of Migratory Species of Wild Animals	1 271	6 404	(6 312)	(500)	863
MVL	Trust Fund for the Convention on Conservation of Migratory Species of Wild Animals	1 189	2 063	(1 686)	(289)	1 277
PNL	General Trust Fund for the Protection, Management and Development of Coastal and Marine Environment and the Resources of Northwest Pacific Region	1 426	732	(1 079)	(2)	1 077
ROL	General Trust Fund for Operational Budget of the Rotterdam Convention	2 130	7 236	(7 908)	236	1 696
RVL	General Trust Fund for the Rotterdam Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals in International Trade	1 344	1 356	(734)	(230)	1 736
SCL	General Trust Fund for the Stockholm Convention on persistent Organic Pollutants its Subsidiary Bodies and the Convention	823	11 540	(10 833)	(39)	1 491
SOL	General Trust Fund for Financing Activities on Research and Observations to Vienna Convention	118	126	(99)	(1)	144
SVL	Special Trust Fund for the Stockholm Convention on persistent Organic Pollutants its Subsidiary Bodies and the Convention	3 289	3 928	(4 574)	99	2 742
VCL	Trust Fund for the Vienna Convention for the Protection of the Ozone Layer	3 609	1 333	(1 848)	(2)	3 092
WAL	Trust Fund for the Protection and Development of the Marine Environment and Coastal Areas of West and Central African Region	283	117	(115)	—	285
	Total supporting conventions/protocols/regional seas programmes	**52 327**	**133 913**	**(133 938)**	**(3 229)**	**49 073**
	Total general trust funds	**75 056**	**179 282**	**(170 782)**	**(4 414)**	**79 142**
	Technical cooperation trust funds directly supporting UNEP — general					
AHL	Technical Cooperation Trust Fund to Assist the Implementation of Agenda 21 in Europe and to Strengthen the Pan-European Environmental cooperation (Financed by the Government of the Netherlands)	50	—	—	—	50
ASL	Technical Cooperation Trust Fund to Assist Developing Countries to Take Action in Accordance with Agenda 21 (Financed by the Government of Sweden)	144	—	—	(144)	—
CIL	Technical cooperation trust fund to support the implementation of the strategic plan for remediation activities following the toxic waste incident in Abidjan, Côte d'Ivoire	1 650	32	(1 163)	1	520

		Opening fund balance, 1 January 2008	*Income*	*Expenditure*	*Adjustments/ transfers*	*Closing fund balance, 31 December 2009*
CNL	Technical cooperation trust fund for UNEP climate neutral fund	—	784	(232)	—	552
EML	Technical Cooperation Trust Fund for Activities in Developing Countries on Environmental Awareness and Machinery (Financed by the Government of Germany)	220	11	—	—	231
IEL	Technical Cooperation Trust Fund to improve the environment. In the Democratic People's Republic of Korea	—	1 898	(35)	—	1 863
MDL	Technical Cooperation Trust Fund to Promote Technical Cooperation and Assistance in Industrial, Environmental and Raw Material Management (Financed by the Government of Sweden)	—	5 140	(2 349)	—	2 791
MHL	Technical Cooperation Trust Fund to Promote Technical Cooperation and Assistance in Industrial, Environmental and Raw Material Management (Financed by the Government of Sweden)	80	—	—	(80)	—
RED	Technical Cooperation Trust Fund to Support UNEP PoW and Responsibilities of UN Collaborative Prgm	—	4 578	(2 389)	—	2 189
BPL	Technical Cooperation Trust Fund for the Implementation of the Agreement with Belgium (Financed by the Government of Belgium)	2 652	2 812	(3 491)	(395)	1 578
DPL	Technical Cooperation Trust Fund for the Partnership Agreement between the Government of the Netherlands and UNEP (Financed by the Government of the Netherlands)	—	—	(9)	—	(9)
ELL	Technical Cooperation Trust Fund to Strengthen the Institutional and Regulatory Capacity of Developing Countries in Africa (Financed by the Government of the Netherlands)	40	1	(40)	—	1
GIL	Technical Cooperation Trust Fund to Provide Experts to the UNEP/GRID (Financed by the Government of the United States of America)	2	105	(51)	(1)	55
GNL	Technical Cooperation Trust Fund in Support of the Coordination Office of the Global Programme Action for the Protection of the Marine Environment from Land-based Activities (Financed by the Government of the Kingdom of the Netherlands)	456	19	(38)	(63)	374
IAL	Technical Cooperation Trust Fund for Ireland Aid Multilateral Environmental Fund for Africa (Financed by the Government of Ireland)	1 867	2 682	(3 245)	—	1 304
IPL	Technical Cooperation Trust Fund to Assist the Implementation of the Montreal Protocol on Substances that Deplete the Ozone Layer in Developing Countries (Financed by the Government of Sweden)	367	1 286	(1 227)	—	426

		Opening fund balance, 1 January 2008	*Income*	*Expenditure*	*Adjustments/ transfers*	*Closing fund balance, 31 December 2009*
JCL	Technical Cooperation Trust Fund for the Establishment of the International Environment Technology Centre in Japan	1 398	3 807	(4 109)	11	1 107
JGL	Technical Cooperation Trust Fund to Support Activities on Environmental Issues (Financed by the Government of Japan)	528	14	—	(542)	—
NFL	Technical Cooperation Trust Fund for the Implementation of the Framework Agreement bet UNEP & Norway	8 356	38 088	(35 038)	(1)	11 405
GAL	Technical Cooperation Trust Fund for the Implementation of Activities funded by the United Nations fund for international partnership (UNFIP)	(1 084)	2 145	(3 320)	(214)	(2 473)
REL	Technical Cooperation Trust Fund for the Promotion of Renewable Energy in the Mediterranean Region (Financed by the Government of Italy)	4 953	1 051	(1 874)	—	4 130
SEL	Technical Cooperation Trust Fund for the Implementation of the Agreement with Sweden	6 334	4 200	(6 464)	(465)	3 605
SFL	Technical Cooperation Trust Fund for Implementation of the Framework Agreement with between Spain and UNEP	9 053	18 637	(5 763)	—	21 927
UCL	Technical Cooperation Trust Fund for the Enhancement of Cooperation between UNEP and United Nations Compensation Commission (UNCC) in the Implementation of the United Nations Security Council Resolution 687 (1991)	61	2	(21)	(1)	41
UTL	Technical Cooperation Trust Fund for the Implementation of UNEP-UNCTAD Capacity Building Task Force on Activities on Trade, Environment and Development	522	424	(630)	—	316
VML	Technical Cooperation Trust Fund to Assist Developing Countries to Take Action for the Protection of the Ozone Layer Under the Vienna Convention and Montreal Protocol (Financed by the Government of Finland)	417	18	(93)	—	342
Total directly supporting UNEP — general		**38 066**	**87 734**	**(71 581)**	**(1 894)**	**52 325**
Supporting convention/protocols/regional seas programmes						
IML	Technical Cooperation Trust Fund for Implementation by UNEP of the Multilateral Fund Activities	22 124	37 215	(37 925)	(113)	21 301
MRL	Technical Cooperation Trust Fund on the Conservation and Management of Marine Turtles and their Habitats of the Indian Ocean and South East Asia	109	439	(379)	—	169

		Opening fund balance, 1 January 2008	*Income*	*Expenditure*	*Adjustments/ transfers*	*Closing fund balance, 31 December 2009*
RSL	Technical Cooperation Trust Fund to support the Implementation of the Rotterdam and Stockholm conventions in Developing countries	204	10	—	(1)	213
Total supporting convention/protocols/regional seas programmes		**22 437**	**37 664**	**(38 304)**	**(114)**	**21 683**
Division of Global Environment Facility (DGEF)						
FBL	Technical Cooperation Trust Fund for the Implementation of the Global Environment Facility Fee-Based System for Funding Projects Implementation	20 172	8 455	(18 700)	(42)	9 885
CCL	Technical Cooperation Trust Fund for the UNEP/GEG Special Climate Change Fund	—	5 066	(3 089)	—	1 977
GFL	Technical Cooperation Trust Fund for UNEP's Implementation of the Activities Funded by the Global Environment Facility	53 546	108 129	(101 987)	(104)	59 584
GWL	Technical Cooperation Trust Fund for the Provision of Support to the Global International Global Waters Projects (Financed by the Government of Finland)	82	—	—	(82)	—
LDL	Technical Cooperation Trust Fund for the Management of UNEP/GEF National Adaptation Programme of Action for Least Developed Countries	626	484	(376)	—	734
Total Division of Global Environment Facility		**74 426**	**122 134**	**(124 152)**	**(228)**	**72 180**
Total Technical Cooperation Trust Funds		**134 929**	**247 532**	**(234 037)**	**(2 236)**	**146 188**
Directly supporting UNEP — personnel						
CEL	Technical Cooperation Trust Fund for Financing of Professional Officers (Financed by the Government of Finland)	934	1 540	(1 186)	1	1 289
CSL	Technical Cooperation Trust Fund for the Provision of a Senior Professional Officer to UNEP (Financed by the Government of Canada)	23	1	—	—	24
FGL	Technical Cooperation Trust Fund for the Provision of a Senior Programme Officer to the UNEP/GPA Office in The Hague (Financed by the Government of France)	107	—	—	(107)	—
SNL	Special Purpose Trust Fund for the Provision of a Programme Officer to UNEP/SBC (Financed by the Government of Switzerland—SAEFL)	120	212	(250)	1	83
TAL	Technical Cooperation Trust Fund for Provision of Junior Professional Officers (Financed by the Government of Austria)	168	28	(173)	(1)	22
TBL	Technical Cooperation Trust Fund for Provision of Junior Professional Officers (Financed by the Government of Belgium)	126	476	(156)	—	446

		Opening fund balance, 1 January 2008	*Income*	*Expenditure*	*Adjustments/ transfers*	*Closing fund balance, 31 December 2009*
TCL	Technical Cooperation Trust Fund for the Provision of Junior Professional Officers (Financed by the Nordic Governments through the Government of Sweden)	131	261	(124)	(1)	267
TDL	Special Purpose Trust Fund for Government of Denmark's Agreement with UNEP for the Provision of Junior Professional Officers	274	747	(614)	—	407
TEL	Technical Cooperation Trust Fund for the Provision of Professional and Junior Professional Officers (Financed by the Government of the United States of America)	15	1	—	(1)	15
TGL	Special Purpose Trust Fund for the Provision of Junior Professional Officers (Financed by the Government of Germany)	431	630	(438)	(2)	621
THL	Technical Cooperation Trust Fund for the Provision of Junior Professional Officers (Financed by the Government of the Netherlands)	295	825	(625)	—	495
TIL	Technical Cooperation Trust Fund for the Provision of Junior Professional Officers (Financed by the Government of Italy)	(50)	1 395	(1 193)	4	156
TJL	Technical Cooperation Trust Fund for the Provision of Junior Professional Officers (Financed by the Government of Japan)	939	113	(111)	—	941
TKL	Technical Cooperation Trust Fund for the Provision of Professional Officers (Financed by the Government of the Republic of Korea)	323	1 446	(1 431)	—	338
TNL	Special Purpose Trust Fund for the Government of Norway's Agreement with UNEP for the Provision of Junior Professional Officers	158	746	(292)	—	612
TOL	Technical Cooperation Trust Fund for the Provision of Junior Professional Officers (Financed by L'Organisation Internationale de la Francophonie)	62	3	(5)	(2)	58
TPL	Technical Cooperation Trust Fund for the Provision of Junior Professional Officers (Financed by L'Organisation Internationale de la Francophonie)	—	1 117	(530)	—	587
TRL	Technical Cooperation Trust Fund for the Provision of Junior Professional Officers (Financed by the Government of France)	224	157	(195)	—	186
TSL	Technical Cooperation Trust Fund for the Provision of Junior Professional Officers (Financed by the Government of Sweden)	113	125	(230)	—	8
UKL	Technical Cooperation Trust Fund for the Provision of an Executive Assistant of the Executive Director (Financed by the Government of the United Kingdom)	154	—	—	(154)	—
Total directly supporting UNEP — personnel		**4 547**	**9 823**	**(7 553)**	**(262)**	**6 555**
Total technical trust funds		**139 476**	**257 355**	**(241 590)**	**(2 498)**	**152 743**

		Opening fund balance, 1 January 2008	*Income*	*Expenditure*	*Adjustments/ transfers*	*Closing fund balance, 31 December 2009*
Earmarked contributions						
CPL	Directly supporting UNEP	24 039	90 417	(81 435)	(1 031)	31 990
Q**	Supporting conventions/protocols/regional seas programmes	5 843	23 101	(15 719)	296	13 521
QGL	Supporting the Global Environment Facility	1 083	2 346	(493)	(1)	2 935
Total earmarked contributions		**30 965**	**115 864**	**97 647**	**(736)**	**48 .46**
Grand total trust funds (statement VII)		**245 497**	**552 501**	**(510 019)**	**(7 648)**	**280 331**
Other funds						
CAL	Support of the Mediterranean Action Plan	3	842	(1 449)	1	(603)
JAL	Support of the Action Plan for the Caribbean Environment Programme (Jamaica $)	(1)	—	—	—	(1)
FTL	Revolving Fund activities	128	179	(241)	16	82
SRL	GTF for voluntary contribution in respect of the United Nations scientific committee on the effects of atomic radiation (UNSCEAR)	97	115	—	—	212
Total other funds (statements I and II)		**227**	**1 136**	**(1 690)**	**17**	**(310)**

Note: Category Q** consists of all earmarked funds starting with Q with the exception of QGL.

Statement VIII
United Nations Environment Programme

End-of-service and post-retirement benefits

Statement of income and expenditure and changes in reserves and fund balances for the biennium ended 31 December 2009

(Thousands of United States dollars)

	Reference	ASHI	Unused vacation days	Repatriation benefits	Total 2009	Total 2007
Total income		—	—	—	—	—
Total expenditure		—	—	—	—	—
Excess/(shortfall) of income over expenditure		—	—	—	—	—
Non-budgeted accrued expenses for end-of-service and post-retirement benefits		(823)	4 774	—	3 951	(40 563)
Net excess of income over expenditure		**(823)**	**4 774**	—	**3 951**	**(40 563)**
Transfer from reserves		—	—	815	815	—
Fund balances, beginning of period		(38 145)	(12 736)	(815)	(51 696)	(11 133)
Fund balances, end of period		**(38 968)**	**(7 962)**	—	**(46 930)**	**(51 696)**
Reserves beginning of period		—	—	2 970	2 970	—
Transfer to reserves		—	—	733	733	2 970
Reserves end of period		—	—	**3 703**	**3 703**	**2 970**
Total reserves and fund balances		**(38 968)**	**(7 962)**	**3 703**	**(43 227)**	**(48 726)**

Statement of assets, liabilities, reserves and fund balances for the biennium ended 31 December 2009

Assets						
Inter-fund balances receivable	Note 7	—	—	14 917	14 917	10 641
Total assets		—	—	**14 917**	**14 917**	**10 641**
Liabilities						
End-of-service and post-retirement benefits	Note 12	38 968	7 962	11 214	58 144	59 367
Total liabilities		**38 968**	**7 962**	**11 214**	**58 144**	**59 367**
Reserves and fund balances						
Reserves		—	—	3 703	3 703	2 970
Fund balance		(38 968)	(7 962)	—	(46 930)	(51 696)
Total reserves and fund balances		**(38 968)**	**(7 962)**	**3 703**	**(43 227)**	**(48 726)**
Total liabilities, reserves and fund balances		—	—	**14 917**	**14 917**	**10 641**

Statement IX
Trust Fund for the Multilateral Fund for the Implementation of the Montreal Protocol on Substances that Deplete the Ozone Layer

Statement of income and expenditure and changes in reserves and fund balances for the biennium ended 31 December 2009

(Thousands of United States dollars)

	Reference	2009	2007
Income			
Voluntary contributions	Schedule 9.1	254 507	257 648
Interest income		16 368	32 772
Miscellaneous income		12 059	21 351
Total income		**282 934**	**311 771**
Expenditure			
Staff and other personnel costs		6 989	6 693
Contractual services		1 868	1 982
Travel		627	553
Operating expenses		667	715
Acquisitions		1 206	1 107
Programme support costs	Statement VI	652	664
UNEP managed activities		37 628	27 216
UNDP managed activities	See note (a) below	69 243	49 552
UNIDO managed activities		54 297	76 572
World Bank managed activities		111 631	184 408
Total expenditure		**284 808**	**349 462**
Shortfall of income over expenditure		(1 874)	(37 691)
Prior-period adjustments		—	3 028
Net shortfall of income over expenditure		(1 874)	(34 663)
Reserves and fund balances, beginning of period		**480 535**	**515 198**
Reserves and fund balances, end of period		**478 661**	**480 535**

Statement of assets, liabilities, reserves and fund balances for the biennium ended 31 December 2009

Assets			
Cash and term deposits	Note 5	278	453
Cash pools	Note 5	81 109	32 392
Advances provided to implementing agencies		179 423	239 793
Voluntary contributions receivable	Schedule 9.1, note (b) below	183 998	173 751
Inter-fund balances		16	170
Promissory notes		36 363	40 747

		2009	2007
Other receivables		644	1 207
Other assets		19	34
Total assets		**481 850**	**488 547**
Liabilities			
Payments or contributions received in advance	Schedule 9.1	2 747	7 394
Unliquidated obligations		195	324
Accounts payable		247	
Other liabilities		—	294
Total liabilities		**3 189**	**8 012**
Reserves and fund balances			
Fund balance		478 661	480 535
Total reserves and fund balances		**478 661**	**480 535**
Total liabilities, reserves and fund balances		**481 850**	**488 547**

Statement of cash flows for the biennium ended 31 December 2009

Cash flows from operating activities		
Net shortfall of income over expenditure	(1 874)	(34 663)
(Increase)/decrease in:		
Contributions receivable	(10 247)	(8 572)
Net advances provided to implementing agencies	60 370	13 168
Other accounts receivable	562	(1 207)
Other assets	16	(31)
Interfund balance receivable	154	—
Increase/(decrease) in:		
Payments or contributions received in advance	(4 647)	2 929
Unliquidated obligations	(129)	(113)
Other accounts payable	(47)	(3 218)
Interfund balances payable	—	3 580
Less: interest income	(16 368)	(32 772)
Net cash flows from operating activities	**27 790**	**(60 899)**
Cash flows from investing activities		
Decrease in promissory notes	4 385	50 182
Increase in cash pools	(48 717)	(22 466)
Plus: interest income	16 368	32 772
Net cash flow from investing activities	**(27 964)**	**60 488**

	2009	*2007*
Cash flows from financing activities		
Net decrease in cash and term deposits	(175)	(411)
Cash and term deposits, beginning of period	**453**	**864**
Cash and term deposits, end of period	**278**	**453**

Notes specific to Statement IX

(a) For ease of monitoring and to avoid delay, the Treasurer, with the approval of the Executive Committee of the Multilateral Fund, has adopted the practice of recording UNDP, UNIDO and WB-IBRD unaudited expenditure submitted. There is, however, an agreement that the implementing agencies will provide audited expenditures immediately they become available but not later than 30 September of the following year.

(b) The Parties to the Montreal Protocol consider that all unpaid pledges are fully collectible. It should be noted that $114.946.049 (63 per cent) represents amounts due from countries with economies in transition. The fund encourages parties to pay their outstanding contributions in full and no write-offs are currently being considered.

Schedule 9.1
Trust Fund for the Multilateral Fund for the Implementation of the Montreal Protocol on Substances that Deplete the Ozone Layer

Status of contributions for the biennium ended 31 December 2009

(United States dollars)

Countries/organizations	*Unpaid pledges as at 1 January 2008*	*Adjustments to prior bienniums*	*Pledges for 2008-2009*	*Revaluations*	*Net pledges for 2008-2009*	*Collections for future years*	*Collections for the current and prior bienniums*	*Unpaid pledges*
Andorra	—	—	8 868	—	8 868	—	8 868	—
Australia	69 299	—	5 552 854	7 024	5 559 878	—	5 629 177	—
Austria	—	—	2 871 175	—	2 871 175	—	2 871 175	—
Azerbaijan	549 516	—	16 448	—	16 448	—	(1)	565 965
Belarus	2 630 446	—	62 452	—	62 452	—	—	2 692 898
Belgium	—	—	3 570 105	—	3 570 105	—	3 570 105	—
Bulgaria	—	—	60 781	—	60 781	—	60 781	—
Canada	214 097	—	8 469 881	—	8 469 881	—	7 937 347	746 631
Cyprus	—	—	136 392	—	136 392	—	136 392	—
Czech Republic	—	—	669 687	—	669 687	436 241	669 687	—
Denmark	—	—	2 395 996	—	2 395 996	—	2 395 996	—
Estonia	—	—	45 951	—	45 951	—	45 951	—
Finland	—	—	1 803 590	(5 045)	1 798 545	—	1 798 545	—
France	693 288	—	19 144 892	—	19 144 892	85 315	19 144 892	693 288
Germany	171 486	—	23 429 773	—	23 429 773	2 033 190	23 429 773	171 486
Greece	3 315 649	—	1 850 377	—	1 850 377	—	4 304 698	861 328
Hungary	—	—	605 515	—	605 515	—	590 539	14 976
Iceland	—	—	116 706	—	116 706	32 515	116 706	—
Ireland	—	—	1 305 175	—	1 305 175	—	1 305 175	—
Israel	4 989 963	—	1 344 232	—	1 344 232	—	100 000	6 234 195
Italy	2 397 019	—	12 312 652	—	12 312 652	—	13 217 892	1 491 779
Japan	10 836 933	—	56 078 732	—	56 078 732	160 178	56 174 782	10 740 883
Latvia	—	—	54 202	—	54 202	—	52 766	1 436
Liechtenstein	—	—	24 542	—	24 542	—	24 542	—
Lithuania	492 967	—	90 284	—	90 284	—	90 284	492 967
Luxembourg	—	—	266 257	—	266 257	—	266 257	—
Malta	23 393	—	50 912	—	50 912	—	74 305	—
Monaco	—	—	9 869	—	9 869	—	9 869	—
Netherlands	—	—	5 855 819	—	5 855 819	—	5 855 819	—
New Zealand	—	—	783 679	—	783 679	—	783 679	—
Norway	—	—	2 400 436	—	2 400 436	—	2 400 436	—
Poland	—	—	1 581 300	—	1 581 300	—	424 286	1 157 014
Portugal	783 341	—	1 638 426	—	1 638 426	—	112 065	2 309 702

Countries/organizations	*Unpaid pledges as at 1 January 2008*	*Adjustments to prior bienniums*	*Pledges for 2008-2009*	*Revaluations*	*Net pledges for 2008-2009*	*Collections for future years*	*Collections for the current and prior bienniums*	*Unpaid pledges*
Romania	—	—	213 435	—	213 435	—	213 435	—
Russian Federation	97 408 180	—	3 780 542	—	3 780 542	—	1	101 188 721
Slovakia	—	—	187 200	—	187 200	—	187 200	—
Slovenia	—	—	292 418	—	292 418	—	292 418	—
Spain	—	—	8 283 675	—	8 283 675	—	4 044 217	4 239 458
Sweden	—	—	3 401 287	—	3 401 287	—	3 401 287	—
Switzerland	88 787	—	3 876 834	—	3 876 834	—	3 965 621	—
Tajikistan	92 962	—	3 290	—	3 290	—	11 072	85 180
Turkmenistan	281 718	—	—	—	—	—	—	281 718
Ukraine	8 148 391	—	138 011	—	138 011	—	297 326	7 989 076
United Kingdom of Great Britain and Northern Ireland	500 037	—	20 989 630	—	20 989 630	—	20 989 630	500 037
United States of America	39 624 012	—	58 696 000	—	58 696 000	—	57 256 511	41 063 501
Uzbekistan	439 755	—	36 343	—	36 343	—	—	476 098
Total	**173 751 239**	**—**	**254 508 625**	**1 979**	**254 508 604**	**2 747 439**	**244 261 506**	**183 998 337**
			Statement IX			**Statement IX**		**Statement IX**

Ageing of unpaid pledges as at 31 December 2009

0-6 months	*7-12 months*	*13-24 months*	*More than 24 months*	*Total*
–	41 151 843	15 534 308	127 312 186	183 998 337

Notes to the financial statements

Note 1
United Nations Environment Programme and its objectives

(a) The United Nations Environment Programme (UNEP) was established by the General Assembly by its resolution 2997 (XXVII) of 15 December 1972, with the Governing Council of UNEP as its policymaking organ and a secretariat to serve as a focal point for environmental action and coordination within the United Nations system.

(b) The mandate of UNEP has been confirmed through various legislative measures, both by the General Assembly and the Governing Council of UNEP. UNEP also provides the secretariats to several global and regional conventions that have been established in areas related to UNEP programme activities.

(c) The activities for which UNEP is responsible fall within programme 11, environment, of the strategic framework for the biennium 2008-2009. The overall objective of programme 11 is to provide leadership and encourage partnership in caring for the environment by inspiring, informing and enabling nations and peoples to improve their quality of life without compromising that of future generations. The main elements of the strategy for achieving the overall objective include: (a) filling the information and knowledge gap on critical environmental issues through more comprehensive assessments; (b) identifying and further developing the use of appropriate integrated policy measures in tackling the root causes of major environmental concerns; and (c) mobilizing action for better integration of international action to improve the environment, particularly in relation to regional and multilateral agreements, as well as United Nations system-wide collaborative arrangements.

Note 2
Summary of significant accounting and financial reporting policies

(a) The accounts of UNEP are maintained in accordance with the Financial Regulations and Rules of the United Nations as adopted by the General Assembly, the rules formulated by the Secretary-General as required under the regulations, administrative instructions issued by the Under-Secretary-General for Management or the Controller, and specific decisions of the Governing Council of UNEP. They also take fully into account the United Nations system accounting standards, as adopted by the Administrative Committee on Coordination. The ACC has since been replaced by the United Nations System Chief Executives Board for Coordination (CEB). The Organization follows International Accounting Standard 1, "Presentation of financial statements", on the disclosure of accounting policies, as modified and adopted by CEB, as shown below:

(i) Going concern, consistency, and accrual are fundamental accounting assumptions. Where fundamental accounting assumptions are followed in financial statements, disclosure of such assumptions is not required. If a fundamental accounting assumption is not followed, that fact should be disclosed together with the reasons;

(ii) Prudence, substance over form, and materiality should govern the selection and application of accounting policies;

(iii) Financial statements should include clear and concise disclosure of all significant accounting policies which have been used;

(iv) The disclosure of the significant accounting policies used should be an integral part of the financial statements. These policies should normally be disclosed in one place;

(v) Financial statements should show comparative figures for the corresponding biennium of the preceding financial biennium;

(vi) A change in an accounting policy that has a material effect in the current biennium or may have a material effect in subsequent bienniums should be disclosed together with the reasons. The effect of the change should, if material, be disclosed and quantified.

(b) The organization's accounts are maintained on a "fund accounting" basis. Each fund is maintained as a distinct financial and accounting entity with a separate self-balancing, double-entry group of accounts. Separate financial statements are prepared for each fund or for a group of funds of the same nature.

(c) The financial period of the organization is a biennium and consists of two consecutive calendar years for all funds.

(d) Generally, income, expenditure, assets, and liabilities are recognized on the accrual basis of accounting.

(e) The accounts of the organization are presented in United States dollars. Accounts maintained in other currencies are translated into United States dollars at the time of the transactions at rates of exchange established by the United Nations. In respect of such currencies, the financial statements shall reflect the cash, investments, unpaid pledges, and current accounts receivable and payable in currencies other than the United States dollars, translated at the applicable United Nations rates of exchange in effect as at the date of the statements. In the event that the application of actual exchange rates at the date of the statements would provide a valuation materially different from the application of the organization's rates of exchange for the last month of the financial biennium, a footnote will be presented quantifying the difference.

(f) The organization's financial statements are prepared on the historical cost basis of accounting, and are not adjusted to reflect the effects of changing prices for goods and services.

(g) The cash flow summary statement is based on the "indirect method" of cash flow as referred to in the United Nations system accounting standards.

(h) The organization's financial statements are presented in accordance with the ongoing recommendations of the Working Party on Accounting Standards to CEB.

(i) The results of the organization's operations presented in statements I, II and III are combined after the elimination of instances of double-counting of income and expenditure. Their presentation on a combined basis does not imply that the various separate funds can be intermingled in any way, since, normally, resources may not be utilized between funds.

(j) The regular budget of the United Nations meets part of the costs of the secretariat of the United Nations Environment Programme established under resolution 2997 (XXVII). Details of the expenditure may be found in the financial report and audited financial statements of the United Nations. However for transparency note 14 shows the status of the current period allocations from the regular budget given to the United Nations Environment Programme.

(k) Income:

(i) Voluntary contributions to the Environment Fund and Multilateral Environmental Agreements from Member States or other donors are recorded as income on the basis of a written commitment to pay monetary contributions at specified times within the current financial biennium. Pledges to the Environment Fund remaining unpaid after four years are written off with the approval of the Governing Council. Pledges to Multilateral Environmental Agreements which involve a budget that has been approved by the parties, are written off with the approval of the parties to that Multilateral Environmental Agreement. Contributions to trust funds are recorded as income upon receipt;

(ii) Income received under inter-organizational arrangements represents allocations of funding from agencies to enable the organization to administer projects or other programmes on their behalf;

(iii) Allocations from other funds represent moneys appropriated or designated from one fund for the transfer to and disbursement from another fund;

(iv) Income for services rendered includes reimbursements for salaries of staff members and other costs which are attributable to providing technical and administrative support to other organizations;

(v) Interest income includes all interest earned on deposits in bank accounts, investment income earned on marketable securities and other negotiable instruments and investment income earned in the cash pools. All realized losses and net unrealized losses on short-term investments are offset against investment income. Investment income and costs associated with operation of investments in the cash pool are allocated to participating funds;

(vi) Miscellaneous income includes refunds of expenditure charged to prior bienniums, income from net gains resulting from currency translations, moneys accepted for which no purpose was specified, uncashed cheques one year from their date of issuance, settlements of insurance claims and other sundry income;

(vii) Income relating to future financial bienniums is not recognized in the current financial biennium and is recorded as payments or contributions received in advance as referred to in item (n) (iii).

(l) Expenditure:

(i) Expenditure is incurred against authorized allotments. Total expenditure reported includes unliquidated obligations and disbursements;

(ii) Expenditure incurred for non-expendable property is charged to the budget of the biennium when acquired and is not capitalized. Inventory of such non-expendable property is maintained at historical cost;

(iii) Expenditure for future financial bienniums is not charged to the current financial biennium and is recorded as deferred charges as referred to in item (m) (iv) and (vi) below.

(m) Assets:

(i) Cash and term deposits comprise funds held in demand deposit accounts and interest bearing bank deposits;

(ii) Investments include marketable securities and other negotiable instruments in the cash pool. Cost is defined as the nominal value plus/minus any unamortized premium/discount. Short-term investments, stated at the lower of cost or market value, and long-term investments, stated at cost, are disclosed in note 5;

(iii) United Nations Headquarters cash pools comprise participating funds' share of the cash and term deposits, short-term investments and accrual of investment income, all of which are managed in the pools. The investments in the pools are similar in nature and are accounted for as stated in item (m) (ii) above. Income earned on the investments of the cash pools and the costs associated with the operation of these investments are allocated to participating funds. Each participating fund's share in the cash pools is reported separately in its statements;

(iv) Deferred charges normally comprise expenditure items that are not properly chargeable to the current financial biennium. They will be charged as expenditure in a subsequent biennium. These expenditure items include commitments approved for future financial bienniums in accordance with financial rule 106.7. Such commitments are normally restricted to administrative requirements of a continuing nature and to contracts or legal obligations where long lead times are required for delivery;

(v) Inter-fund balances reflect transactions between funds, and are included in the amounts due to and from the Environment Fund, trust funds, other special accounts, the United Nations General Fund and other United Nations funds which are normally settled periodically dependent upon availability of cash resources;

(vi) For the purposes of the balance sheet statements only, those portions of education grant advances that are assumed to pertain to the scholastic years completed as at the date of the financial statement are shown as deferred charges. The full amounts of the advances are maintained as accounts receivable from staff members until the required proofs of entitlement are produced, at which time the budgetary accounts are charged, and the advances settled;

(vii) Maintenance and repairs of capital assets are charged against the appropriate budgetary accounts. Furniture, equipment and other non-expendable property are not included in the assets of the organization. Acquisitions are charged against budgetary accounts in the year of purchase. The value of non-expendable property is recorded in memorandum accounts, and is disclosed in note 13 to the financial statements.

(n) Liabilities, reserves and fund balances:

(i) Operating and other types of reserves are included in the totals for "Reserves and fund balances" shown in the financial statements;

(ii) Unliquidated obligations for future years are reported both as deferred charges and as unliquidated obligations;

(iii) Deferred income includes pledged contributions for future bienniums, payments or contributions received in advance and other income received but not yet earned;

(iv) Commitments of the organization relating to prior, current and future financial bienniums are shown as unliquidated obligations. Current biennium obligations related to trust funds remain valid for 12 months following the end of the biennium to which they relate. Obligations for most technical cooperation activities remain valid for 12 months after the end of each calendar year.

(v) Contingent liabilities, if any, are disclosed in the notes to the financial statements;

(vi) Accrued liabilities for end-of-service and post-retirement benefits comprise those for after-service health insurance, unused vacation days and repatriation benefits. Previously, the accrued liability recorded for after-service health insurance was based on an actuarial valuation, whereas the liabilities for unused vacation days and repatriation benefits were calculated on the basis of accrued amounts without discounting or other adjustments. With effect from the biennium ended 31 December 2009, all three groups of accrued liabilities for end-of-service and post-retirement benefits are determined on an actuarial basis. The actuarial valuations have been undertaken by an independent, qualified actuarial firm. This change in accounting policy is made to achieve a more appropriate presentation of the financial statements in accordance with paragraph 18 of the United Nations system accounting standards. See note 12.

(o) Financial reserve. As stated in rule 209.2 of the Financial Rules of the Fund, the purpose of the financial reserve is to guarantee the financial liquidity and integrity of the Environment Fund, to compensate for uneven cash flows and to meet such other similar requirements as may be decided upon by the Governing Council. The level of financial reserve is determined from time to time by the Governing Council and the Council, in its decision 20/31, paragraph 14, authorized the Executive Director to further increase the level of the financial reserve to $20 million as and when carry-over resources become available over and above those needed to implement the programme approved.

(p) Operational reserve. With regard to the Special Account for Programme Support Costs, an operational reserve is required to protect against unforeseen shortfalls in delivery, inflation and currency adjustments or to liquidate legal obligations in case of abrupt terminations of activities financed from extrabudgetary resources.

(q) Revolving Fund. The Governing Council, by its decision 11/(II) of 22 March 1974, established a Revolving Fund to finance the production of materials in support of national programmes of public information and education in the environment field. The Council further decided that the income from the sale or rental of information materials, the production of which was financed from the

Revolving Fund should be credited to that Fund. Any cumulative surplus in excess of $200,000 is transferred to the Environment Fund at the end of the financial biennium.

(r) Expenditure with respect to UNEP projects undertaken by cooperating agencies and supporting organizations is recorded in the UNEP accounts on the basis of actual expenditure of funds reported by them to UNEP. Expenditure includes the unliquidated obligations of cooperating agencies. The unspent balances of the remittances held by agencies and organizations are recorded as advances in the UNEP accounts.

(s) A provision to meet contingent liabilities for compensation payments under appendix D to the Staff Rules of the United Nations for the personnel financed from trust funds and the Environment Fund has been made and is calculated on the basis of 1 per cent of the net base pay.

(t) UNEP follows the general provisions of the Secretary-General's bulletin on the establishment and management of trust funds (ST/SGB/188) and its supporting administrative instructions (ST/AI/285 and ST/AI/286), although, as indicated in paragraph 3 of the bulletin, its provisions do not apply to funds such as the Fund of the United Nations Environment Programme, which are subject to the administrative authority of their executive heads.

(u) At the eleventh meeting, the Executive Committee of the Multilateral Fund for the Implementation of the Montreal Protocol, it was decided that promissory notes constitute committable resources and that the deposit of a promissory note would be considered to be payment of a country's contribution to the Multilateral Fund. Consequently, promissory notes received from member countries have been reflected in the accounts of the Multilateral Fund.

(v) The United Nations Environment Programme is a member organization participating in the United Nations Joint Staff Pension Fund, which was established by the United Nations General Assembly to provide retirement, death, disability and related benefits. The Pension Fund is a funded, defined benefit plan. Actuarial valuation of the assets and pension benefits of the Pension Fund is prepared every two years. As there is no consistent and reliable basis for allocating the related liabilities/assets and costs to individual organizations participating in the plan, the United Nations Environment Programme is not in a position to identify its share of the underlying financial position and performance of the plan with sufficient reliability for accounting purposes, and hence has treated this plan as if it were a defined contribution plan; thus the United Nations Environment Programme's share of the related net liability/asset position of the Pension Fund is not reflected in the financial statements. The organization's contribution to the Pension Fund consists of its mandated contribution at the rate established by the General Assembly, currently 7.9 per cent for the participant and 15.8 per cent for the organizations, respectively, of the applicable pensionable remuneration, together with its share of any actuarial deficiency payments under Article 26 of the Regulations of the Pension Fund. Such deficiency payments are payable only if and when the General Assembly has invoked the provision of Article 26, following determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Pension Fund as of the valuation date. As at the reporting date of the current financial statements, the General Assembly had not invoked this provision.

Note 3
Miscellaneous income

(Thousands of United States dollars)

	Environment Fund	*All trust funds and earmarked contributions*	*Special Account for Programme Support Costs Fund*	*Total*	
				2009	*2007*
Gain on currency	—	2 413	841	3 254	6 075
Miscellaneous	284	317	—	601	2 795
Support from special accounts for programme support costs	—	—	1 000	1 000	—
Old credit balances	—	—	—	—	1 403
Royalties	—	—	—	—	11
Total	**284**	**2 730**	**1 841**	**4 855**	**10 284**

Note 4
Prior-period adjustments

(Thousands of United States dollars)

	Environment Fund	*All trust funds and earmarked contributions*	*Special Account for Programme Support Costs Fund*	*Total*	
				2009	*2007*
Adjustment to prior-period pledges	147	(450)	—	(303)	214
Write-offs: AMCEN*	—	(2 049)	—	(2 049)	—
Other	(159)	(884)	(189)	(1 232)	(266)
Net adjustment to prior period	17	(530)	275	(238)	(1 718)
Other	—	(13)	—	(13)	—
Total	**5**	**(3 926)**	**86**	**(3 835)**	**(1 770)**

* The board of the African Ministerial Conference on the Environment, during its twenty-third meeting, held on 15 February 2009, decided to record contributions to the General Trust Fund of AMCEN on a cash basis. The board further decided to write off the existing contributions receivable totalling $2,048,523.

Note 5
Convertible and non-convertible cash, bank deposits and investments as at 31 December 2009[a]

(Thousands of United States dollars)

		United Nations cash pools			
	Reference	*United States dollars*	*Euro*[b]	*Total*	*Cash and term deposits*
Environment Fund	Statements II and IV	34 687	—	34 687	2 300
UNEP trust funds and other accounts					
General trust funds		45 892	48 639	94 531	4 446
CITES: Investment outside UNEP cash pools		6 636	—	6 636	—
Total general trust funds	Statement II	52 528	48 639	101 167	4 446
Technical cooperation trust funds	Statement II	130 661	26 340	157 001	—
Professional Officers trust funds	Statement II	6 249	273	6 522	—
Special Account for Programme Support	Statements II and VI	7 684	8 109	15 793	—
Earmarked contributions	Statement II	25 729	27 437	53 166	—
Other	Statement II	224	—	224	40
Total UNEP trust funds and other accounts		223 075	110 798	333 873	4 486
Total UNEP cash, bank deposits and investments		257 762	110 798	368 560	6 786
Represented by:					
Cash and term deposits		86 453	110 728	197 181	6 786
Short-term investments at lower of cost or market value[c]		66 690	—	66 690	—
Long-term investments at higher of cost or market value		103 246	—	103 246	—
Accrued interest receivable		1 373	70	1 443	—
Total UNEP cash, bank deposits and investments		257 762	110 798	368 560	6 786
Multilateral fund	Statement IX	81 109	—	81 109	278
Represented by:					
Cash and term deposits		27 204	—	27 204	278
Short-term investments at lower of cost or market value[c]		20 985	—	20 985	—
Long-term investments at lower of cost or market value		32 488	—	32 488	—
Accrued interest receivable		432	—	432	—
Total multilateral fund		81 109	—	81 109	278

Abbreviation: CITES, Convention on International Trade in Endangered Species of Wild Flora and Fauna.

[a] All investments system-wide are placed in joint investment pools for all offices away from Headquarters. Treasury at United Nations Headquarters is solely responsible for the investment policy, and participating offices are only responsible for their own cash flow management.

[b] The Euro cash pool comprises cash and term deposits of €76,735(000's), short-term investments of €27,661(000's) and accrued interest receivable of €48(000's). The United Nations operational exchange rate as at 31 December 2009 was 1 US$=0.693.

[c] When the market value of the short-term investments is lower than cost, the book value is adjusted accordingly.

Note 6
Financial reporting by agencies and supporting organizations

With the exception of 29, all agencies and organizations engaged in the implementation of projects funded by UNEP and/or its associated trust funds, excluding the Division of Global Environment Facility Coordination, reported their expenditure as at 31 December 2009.

Note 7
Inter-fund balances

Inter-fund balances reflect transactions between the Environment Fund, trust funds, other special accounts, the United Nations General Fund and other United Nations funds, which are settled periodically. The following table is a breakdown of the inter-fund balances, in thousands of United States dollars.

	Total	
	2009	*2007*
Inter-fund balances receivable		
Environment Fund	6 199	—
General trust funds	2 658	10 883
Technical cooperation trust funds	2 595	25 198
Professional Officers Programme	605	182
Special Account for Programme Support	—	2 541
Earmarked contributions	8 176	3 350
End-of-service benefits funds	14 917	10 641
NCC counterpart contributions	—	42
Revolving Fund	130	139
Total	**35 280**	**52 976**
Inter-fund balances payable		
Environment Fund	—	4 860
General trust funds	20 176	28 431
Technical cooperation trust funds	12 254	11 225
Professional Officers Programme	534	595
Special Account for Programme Support	473	—
Earmarked contributions	2 491	8 718
Other funds	654	202
Total	**36 582**	**54 031**
Net inter-fund balance	**(1 302)**	**(1 055)**
The net inter-fund balance is due (to)/from		
Multilateral Fund (Statement IX)	(16)	(170)
United Nations Office at Nairobi	(1 286)	(885)
	(1 302)	**(1 055)**

The inter-fund balances are now being reported as assets and liabilities without offset. Comparative balances have been restated accordingly. However, the funds in the Environment Fund have been offset, since the funding source is the same.

Note 8
Other accounts receivable

The totals below, in thousands of United States dollars, provide a comparison of the amounts shown in statement II as other accounts receivable, as at 31 December 2009 and 2007:

	Environment Fund	*Other trust funds*	*Special Account for Programme Support Costs Fund*	*Total*	
				2009	*2007*
Staff members	1 215	1 813	157	3 185	2 457
Vendors	463	774	—	1 237	395
Specialized agencies	12	9 687	—	9 699	9 872
Other United Nations agencies	4 930	36 701	—	41 631	47 082
Other	124	92	—	216	558
Government	212	10 702	—	10 914	16 200
Total	**6 956**	**59 769**	**157**	**66 882**	**76 564**
Ageing of other accounts receivable:					
Less than six months	2 014	20 011	145	22 170	29 715
Six months to one year	83	11 527	1	11 611	20 858
More than one year	4 360	7 966	11	12 337	19 944
More than two years	499	20 265	—	20 764	6 047
Total	**6 956**	**59 769**	**157**	**66 882**	**76 564**

Note 9
Other assets

The totals below, in thousands of United States dollars, provide a comparison of the amounts shown in statement II as other assets, as at 31 December 2009 and 2007.

	Environment Fund	*Other trust funds*	*Special Account for Programme Support Costs Fund*	*Total*	
				2009	*2007*
Education grant advances	549	475	88	1 112	741
Other[a]	3 026	10	—	3 036	2 182
Total	**3 575**	**485**	**88**	**4 148**	**2 923**

[a] $2,926 of this relate to UNDP inter-office vouchers.

Note 10
Other accounts payable

The totals below, in thousands of United States dollars, provide a comparison of the amounts shown in Statement II as at 31 December 2009 and 2007.

	Environment Fund	*Other trust funds*	*Special Account for Programme Support Costs Fund*	*Total*	
				2009	*2007*
Governments	96	1 291	—	1 387	1 734
Staff members	350	789	29	1 168	946
Vendors	453	768	22	1 243	1 124
Specialized agencies	—	670	—	670	1 533
Other United Nations agencies	3 584	14 040	1 016	18 640	21 029
Other	91	239	—	330	562
Total	**4 574**	**17 797**	**1 067**	**23 438**	**26 928**

Note 11
Reserves

The following is a breakdown of the reserves as at 31 December 2009 and 2007, in thousands of United States dollars:

	Total	
	2009	*2007*
Endowment fund	—	513
Operating reserve	34 844	24 963
Total reserves	**34 844**	**25 476**

Note 12
End-of-service and post-retirement benefits

(a) End-of-service and post-retirement benefits comprise after-service health insurance coverage, commutation of unused vacation days, and repatriation benefits. As disclosed in note 2 (n) (vi), with effect from the biennium ended 31 December 2009, all three liabilities are determined on the basis of an actuarial valuation.

(b) After-service health insurance

(i) Upon end of service, staff members and their dependants may elect to participate in a defined-benefit health-insurance plan of the United Nations, provided they have met certain eligibility requirements, including 10 years of participation in a United Nations health plan for those who were recruited after 1 July 2007 and 5 years for those who were recruited prior to that date. This benefit is referred to as after-service health insurance.

(ii) The major assumptions used by the actuary to determine the liabilities for after-service health insurance as at 31 December 2009 were a discount rate of 6.0 per cent; health-care escalation rates of 8.4 per cent in 2010, grading down to 4.5 per cent in 2027 and later years for USA medical plans, and 6.0 per cent in 2010 grading down to 4.5 per cent in 2027 and later years for medical plans outside of the United States; and retirement, withdrawal and mortality assumptions consistent with those used by the United Nations Joint Pension Fund in making its own actuarial valuation of pension benefits. By comparison, the assumptions used to determine the liabilities for after-service health insurance as at 31 December 2007 were a discount rate of 5.5 per cent; health-care escalation rates of 9.5 per cent in 2008, grading down to 5.0 per cent in 2015 and later years for United States medical plans, and 5.7 per cent in 2008 grading down to 4.5 per cent in 2012 and later years for medical plans outside of the United States. There were no changes in the Pension Fund retirement, withdrawal and mortality assumptions since the 2007 valuation.

(iii) Another factor in after-service health insurance is to consider contributions by all plan participants in determining the Organization's residual liability. Thus, contributions from retirees are deducted from the gross liability and, commencing with the 31 December 2009 valuation, a portion of the contributions from active staff is also deducted to arrive at the Organization's residual liability in accordance with cost-sharing ratios authorized by the General Assembly. These ratios require that the Organization's share shall not exceed one half for non-United States health plans, two thirds for United States health plans, and three quarters for the medical insurance plan. This refinement in the determination of plan participant contributions is reflective of the fact that both active and retired staff participate in the same health-insurance plans and that their collective contributions serve to meet the approved cost-sharing ratios.

(iv) On the basis of the assumptions outlined in (ii) and (iii) above, the present value of the accrued liability as at 31 December 2009 was estimated at $38,968,000 ($72,624,000 less contributions from participants of $33,656,000). This reflects actuarial gains of $10,649,000 resulting from the updating and refinement of actuarial assumptions noted in (ii) and (iii) above and based on updated census, health-insurance claim and other data.

(v) Further to the assumptions set out in (b) (ii) above, it is estimated that the present value of the liability would increase by 23 per cent or decrease by 18 per cent, respectively, if the medical cost trend increased or decreased by 1 per cent, respectively, all other assumptions remaining constant. Similarly, it is estimated that the accrued liability would increase by 24 per cent or decrease by 18 per cent, respectively, if the discount rate is decreased or increased by 1 per cent, all other assumptions remaining constant.

(c) Unused vacation days

(i) Upon end of service, staff members may commute unused vacation days, up to a maximum of 60 working days for those holding a fixed-term or continuing appointments. This benefit is referred to as annual leave benefits.

(ii) As referred to in note 2 (n) (vi), a consulting actuary was engaged to carry out an actuarial valuation of unused vacation days as at 31 December

2009. Previously, the liabilities for unused vacation days were directly calculated on the basis of amounts accrued as at the reporting date without discounting or other adjustments.

(iii) The major assumptions used by the actuary were a discount rate of 6.0 per cent and an annual rate of increase in accumulated annual leave balances of 15 days in the first year, 6.5 days per year in the second to sixth years, and 0.1 days annually thereafter, capping at an accumulation of 60 days. Salaries are assumed to increase annually at rates ranging from 10.6 per cent to 5.5 per cent based on age and category of staff members.

(iv) On the basis of these assumptions, the present value of the accrued liability for unused vacation days as at 31 December 2009 was estimated at $7,962,000.

(v) The change in accounting policy to an actuarial basis for measuring the liability for unused vacation days has not been applied retroactively due to impracticality of undertaking an actuarial valuation as at 31 December 2007. Had the former cost methodology been continued, the liability would have been $16,133,000. Hence, the effect of adopting this new policy in the current period is a decrease in both the liabilities and non-budgeted accrued expenses in the amount of $8,171,000.

(d) Repatriation benefits

(i) Upon end of service, staff who meet certain eligibility requirements, including residency outside their country of nationality at the time of separation, are entitled to a repatriation grant, which is based upon length of service, and travel and removal expenses. These benefits are collectively referred to as repatriation benefits.

(ii) As referred to in note 2 (n) (vi), a consulting actuary was engaged to carry out an actuarial valuation of repatriation benefits as at 31 December 2009. Previously, the liabilities for repatriation benefits were directly calculated based on amounts accrued as of the reporting date without discounting or other adjustments.

(iii) The major assumptions used by the actuary were a discount rate of 6.0 per cent; annual salary increases ranging from 10.6 per cent to 5.5 per cent based on age and category of staff members, and travel cost increases of 4.0 per cent per annum.

(iv) On the basis of these assumptions, the present value of the accrued liability for repatriation benefits as at 31 December 2009 was estimated at $11,214,000.

(v) The change in accounting policy to an actuarial basis for measuring the liability for repatriation benefits has not been applied retroactively due to impracticality of undertaking an actuarial valuation as at 31 December 2007. Had the former cost methodology been continued, the liability would have been $16,100,000. Hence, the effect of adopting this new policy in the current period is a decrease in both the liabilities and non-budgeted accrued expenses in the amount of $4,886,000.

(e) End-of-service and post-retirement benefits for the United Nations Environment Programme as at 31 December 2009 are as follows, in thousands of United States dollars:

	Total	
	2009	*2007*
After-service health insurance	38 968	38 145
Unused vacation days	7 962	12 736
Repatriation benefits	11 214	8 486
Total	**58 144**	**59 367**
Less: provision already made	**(14 917)**	**(10 641)**
Net liability not funded	**43 227**	**48 726**

Note 13
Non-expendable property

In accordance with United Nations accounting policies, non-expendable property is not included in the fixed assets of the Organization but is charged against current appropriations when acquired. The following table shows the non-expendable property by categories (in thousands of United States dollars).

	2009	*2007*
Computer equipment	2 120	5 950
Office equipment	25	2 836
Radio and telecommunication equipment	16	335
Audio-visual/photographic equipment	164	323
Transportation equipment	65	197
Furniture	1 167	1 042
Maintenance equipment	2	10
Document and reproduction equipment	50	983
Medical equipment	—	2
Total equipment relating to UNEP projects	**674**	**3 669**
Total equipment relating to regional and outposted offices	**5 021**	**2 151**
Total	**9 304**	**17 498**
Summary		
Opening balance	17 498	18 691
Acquisitions	1 364	606
Disposals		
Write-offs	(133)	(195)
Sales	(10)	(1)

	2009	2007
Donation	(1 422)	(2 271)
Adjustments to prior periods[a]	(7 993)	472
Closing balance	**9 304**	**17 498**

[a] Inventory in the database adjusted to physical count as at 31 December 2009.

Note 14
Status of the regular budget funds allocations excluding staff assessments as at 31 December 2009

(Thousands of United States dollars)

				Total expenditure	
	Allocation	*Unliquidated obligations*	*Disbursements*	*2009*	*2007*
Staff and other personnel costs:					
Nairobi	10 065	469	10 565	11 034	9 771
Geneva	1 261	—	1 464	1 464	1 292
New York	983	7	914	921	658
UNSCEAR	827	—	825	825	702
Subtotal	**13 136**	**476**	**13 768**	**14 244**	**12 423**
Operating costs:					
Nairobi	3 287	607	1 545	2 152	1 202
Geneva	27	9	21	30	15
New York	34	—	24	24	252
UNSCEAR	438	161	259	420	272
Subtotal	**3 786**	**777**	**1 849**	**2 626**	**1 741**
Total	**16 922**	**1 253**	**15 617**	**16 870**	**14 164**

Abbreviation: UNSCEAR, United Nations Scientific Committee on the Effects of Atomic Radiation.

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